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Transcript Exhibit(s)

T-04260A-04-0383

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AZ CORP COMMISSION
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MEMORANDUM

TO: Docket Control

EA for EGJ

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: October 28, 2005

RE: IN THE MATTER OF THE APPLICATION OF CHARTER FIBERLINK AZ-CCVII, LLC FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LONG DISTANCE AND LOCAL EXCHANGE, FACILITIES-BASED LONG DISTANCE AND LOCAL EXCHANGE, AND ALTERNATIVE OPERATOR SERVICES TELECOMMUNICATIONS SERVICES
(DOCKET NO. T-04260A-04-0383)

Attached is the **Supplemental Staff Report** for the above referenced application. The Applicant is applying for approval to provide the following services:

- Resold Long Distance Services
- Resold Local Exchange Services
- Facilities-Based Local Exchange Services
- Facilities-Based Long Distance Services
- Alternative Operator Services
- Private Line Telecommunications Services

Staff is recommending approval of the application.

Originator: Wilfred Shand, Jr.

Attachment: Original and Thirteen Copies

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OCT 28 2005

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

EXHIBIT
S-1
admitted 11-22-05

SERVICE LIST FOR: CHARTER FIBERLINK AZ-CCVII, LLC
DOCKET NO. T-04260A-04-0383

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Roshka Heyman & DeWulf, PLC
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Ms. Lyn Farmer
Chief Administrative Law Judge
Arizona Corporation Commission
Hearing Division
1200 West Washington
Phoenix, Arizona 85007

STAFF REPORT

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

CHARTER FIBERLINK AZ-CCVII, LLC

DOCKET NO: T-04260A-04-0383

IN THE MATTER OF THE APPLICATION OF CHARTER FIBERLINK AZ-CCVII, LLC FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LONG DISTANCE AND LOCAL EXCHANGE, FACILITIES-BASED LONG DISTANCE AND LOCAL EXCHANGE, AND ALTERNATIVE OPERATOR SERVICES TELECOMMUNICATIONS SERVICES

October 28, 2005

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ATTACHMENT

SCHEDULES

STAFF ACKNOWLEDGMENT

The Supplemental Staff Report for Charter Fiberlink AZ-CCVII, LLC, Docket No. T-04260A-04-0383, was the responsibility of the Staff member listed below. Wilfred Shand, Jr. was responsible for the review and analysis of the application for a Certificate of Convenience and Necessity to provide resold long distance, facilities-based long distance, resold local exchange; facilities-based local exchange services; alternative operator services; private line telecommunications and petition for a determination that its proposed services should be classified as competitive.

Wilfred Shand, Jr.
Public Utilities Analyst Manager

1. INTRODUCTION

On May 20, 2004, Charter Fiberlink AZ-CCVII, LLC ("CF" or "Applicant") filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance, facilities-based long distance, resold local exchange, facilities-based local exchange, alternative operator services, and private line telecommunications services within the State of Arizona. The Applicant petitioned the Arizona Corporation Commission ("Commission") for a determination that its proposed services should be classified as competitive. On September 29, 2005, CF submitted, to the Commission, updated tariffs for the services it is requesting the authority to provide. Also on September 29, 2005, the Commission's Hearing Division ("Hearing") issued a Procedural Order which continued CF's original hearing on this matter and ordered Staff to file an amendment to its Staff Report by October 28, 2005.

Staff's review of this application addresses the overall fitness of the Applicant to receive a CC&N. Staff's analysis also considers whether the Applicant's services should be classified as competitive and if the Applicant's initial rates are just and reasonable.

2. TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

CF indicated that its affiliates are currently providing competitive local exchange and/or resold long distance service in 25 states excluding Arizona (See Attachment A). Based on this, Staff believes CF possesses the technical capabilities to provide the services it is requesting the authority to provide.

3. FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

The Applicant provided unaudited financial statements of its parent company, Charter Communications, Inc., for the six months ending June 30, 2005. These financial statements list assets in excess of $16 billion; negative equity in excess of $5 billion; and a net loss in excess of $355 million. The Applicant provided notes related to the financial statements.

The Applicant stated in its Tariff (reference Sections 1.7.9 on Page 20 of CF's Revised Local Exchange Service Tariff) that it does collect advances, deposits and prepayments from its local exchange service customers. Staff believes that advances, deposits, and/or prepayments received from the Applicant's customers should be protected by the procurement of a performance bond. Since the Applicant is requesting a CC&N for more than one kind of service, the amount of a performance bond for multiple services is an aggregate of the minimum bond amount for each type of telecommunications service requested by the Applicant. The amount of bond coverage needed for each service is as follows: resold local exchange $25,000; facilities-based long distance $100,000; and facilities-based local exchange $100,000. The bond coverage needs to increase in increments equal to 50 percent of the total minimum bond amount when the total amount of the advances, deposits, and prepayments is within 10 percent of the total minimum bond amount. Further, measures should be taken to ensure that the

Applicant will not discontinue service to its customers without first complying with Arizona Administrative Code ("A.A.C.") R14-2-1107.

To that end, Staff recommends that the Applicant procure a performance bond equal to $225,000. The minimum bond amount of $225,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The bond amount should be increased in increments of $112,500. This increase should occur when the total amount of the advances, deposits, and prepayments is within $22,500 of the bond amount. If the Applicant desires to discontinue service, it must file an application with the Commission pursuant to A.A.C. R14-2-1107. Additionally, the Applicant must notify each of its customers and the Commission 60 days prior to filing an application to discontinue service. Failure to meet this requirement should result in forfeiture of the Applicant's performance bond. Staff further recommends that proof of the above mentioned performance bond be docketed within 365 days of the effective date of an Order in this matter or 30 days prior to the provision of service, whichever comes first, and must remain in effect until further order of the Commission.

However, if at some time in the future the Applicant does collect advances, deposits and/or prepayments from its resold interexchange service customers, Staff recommends that the Applicant docket proof of an additional performance bond in the amount of $10,000. Such filing must reference the docket and decision numbers in this matter.

4. ESTABLISHING RATES AND CHARGES

The Applicant would initially be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers are providing telephone service. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

Both an initial rate (the actual rate to be charged) and a maximum rate must be listed for each competitive service offered, provided that the rate for the service is not less than the Company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109.

The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the company indicating that its fair value rate base is zero. Accordingly, the company's fair value rate base is too small to be useful in a fair value analysis. CF originally indicated that its rates will be determined on an individual case basis. On September 29, 2005, CF submitted revised tariff pages reflecting the actual rates that CF will be charging for its local and interexchange services. Staff has reviewed these rates and believes they are comparable to the rates charged by competitive local carriers, local incumbent carriers and major long distance carriers operating in the State of Arizona. Therefore, while Staff considered the fair value rate base information submitted by the company, the fair value rate base information provided should not be given substantial weight in this analysis.

5. LOCAL EXCHANGE CARRIER SPECIFIC ISSUES

Issues related to the provision of that Local Exchange service are discussed below.

5.1 NUMBER PORTABILITY

The Commission has adopted rules to address number portability in a competitive telecommunications services market. Local exchange competition may not be vigorous if customers, especially business customers, must change their telephone numbers to take advantage of a competitive local exchange carrier's service offerings. Consistent with federal laws, federal rules and A.A.C. R14-2-1308(A), the Applicant shall make number portability available to facilitate the ability of a customer to switch between authorized local carriers within a given wire center without changing their telephone number and without impairment to quality, functionality, reliability or convenience of use.

5.2 PROVISION OF BASIC TELEPHONE SERVICE AND UNIVERSAL SERVICE

The Commission has adopted rules to address universal telephone service in Arizona. A.A.C. R14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Service Fund ("AUSF"). The Applicant will make the necessary monthly payments required by A.A.C. R14-2-1204(B).

5.3 QUALITY OF SERVICE

Staff believes that the Applicant should be ordered to abide by the quality of service standards that were approved by the Commission for Qwest (f/k/a USWC) in Docket No. T-01051B-93-0183 (Decision No. 59421). Because the penalties developed in that docket were initiated because Qwest's level of service was not satisfactory and the Applicant does not have a similar history of service quality problems, Staff does not recommend that those penalties apply to the Applicant. In the competitive market that the Applicant wishes to enter, the Applicant generally will have no market power and will be forced to provide a satisfactory level of service or risk losing its customers. Therefore, Staff believes that it is unnecessary to subject the Applicant to those penalties at this time.

5.4 ACCESS TO ALTERNATIVE LOCAL EXCHANGE SERVICE PROVIDERS

Staff expects that there will be new entrant providers of local exchange service who will install the plant necessary to provide telephone service to, for example, a residential subdivision or an industrial park much like existing local exchange companies do today. There may be areas where the Applicant installs the only local exchange service facilities. In the interest of providing competitive alternatives to the Applicant's local exchange service customers, Staff recommends that the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve such areas. This way, an alternative local exchange service provider may serve a customer if the customer so desires. Access to other providers should be provided pursuant to the provisions of the 1996 Telecommunications Act, the rules promulgated there under and Commission rules on interconnection and unbundling.

5.5 911 SERVICE

The Commission has adopted rules to address 911 and E911 services in a competitive telecommunications services market. The Applicant has certified that in accordance with A.A.C. R14-2-1201(6)(d) and Federal Communications Commission 47 CFR Sections 64.3001 and 64.3002, it will provide all customers with 911 and E911 service, where available, or will coordinate with ILECs and emergency service providers to provide 911 and E911 service.

5.6 CUSTOM LOCAL AREA SIGNALING SERVICES

Consistent with past Commission decisions, the Applicant may offer Caller ID provided that per call and line blocking, with the capability to toggle between blocking and unblocking the transmission of the telephone number, are provided as options to which customers could subscribe with no charge. Also, Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated, indicating that the number has been blocked, must be offered.

6. REVIEW OF COMPLAINT INFORMATION

The Applicant has neither had an application for service denied, nor revoked in any state. There are, and have been, no formal complaint proceedings involving the Applicant. There have not been any civil or criminal proceedings against the Applicant. Consumer Services reports no complaint history within Arizona.

The Applicant indicated that none of its officers, directors or partners have been involved in any civil or criminal investigations, or any formal or informal complaints. The Applicant also indicated that none of its officers, directors or partners have been convicted of any criminal acts in the past ten (10) years.

7. COMPETITIVE SERVICES ANALYSIS

The Applicant has petitioned the Commission for a determination that the services it is seeking to provide should be classified as competitive.

7.1 COMPETITIVE SERVICES ANALYSIS FOR LOCAL EXCHANGE SERVICES

7.1.1 A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.

The local exchange market that the Applicant seeks to enter is one in which a number of new CLECs have been authorized to provide local exchange service. Nevertheless, ILECs hold a virtual monopoly in the local exchange service market. At locations where ILECs provide local exchange service, the Applicant will be entering the market as an alternative provider of local exchange service and, as such, the Applicant will have to compete with those companies in order to obtain customers. In areas where ILECs do not serve customers, the Applicant may have to convince developers to allow it to provide service to their developments.

7.1.2 The number of alternative providers of the service.

Qwest and various independent LECs are the primary providers of local exchange service in the State. Several CLECs and local exchange resellers are also providing local exchange service.

7.1.3 The estimated market share held by each alternative provider of the service.

Since Qwest and the independent LECs are the primary providers of local exchange service in the State, they have a large share of the market. Since the CLECs and local exchange resellers have only recently been authorized to offer service they have limited market share.

7.1.4 The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.

None.

7.1.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.

ILECs have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly many of the CLECs and local exchange resellers also offer substantially similar services.

7.1.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).

The local exchange service market is:

a. One in which ILECs own networks that reach nearly every residence and business in their service territories and which provide them with a virtual monopoly over local exchange service. New entrants are also beginning to enter this market.

b. One in which new entrants will be dependent upon ILECs:

   1. To terminate traffic to customers.
   2. To provide essential local exchange service elements until the entrant's own network has been built.
   3. For interconnection.

c. One in which ILECs have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market and one in which new entrants do not have a long history with any customers.

d. One in which most customers have few, if any choices since there is generally only one provider of local exchange service in each service territory.

e. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

7.2 COMPETITIVE SERVICES ANALYSIS FOR INTEREXCHANGE SERVICES

7.2.1 A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.

The interexchange market that the Applicant seeks to enter is one in which numerous facilities-based and resold interexchange carriers have been authorized to provide service throughout the State. The Applicant will be a new entrant in this market and, as such, will have to compete with those companies in order to obtain customers.

7.2.2 The number of alternative providers of the service.

There are a large number of facilities-based and resold interexchange carriers providing both interLATA and intraLATA interexchange service throughout the State. In addition, various ILECs provide intraLATA interexchange service in many areas of the State.

7.2.3 The estimated market share held by each alternative provider of the service.

The large facilities-based interexchange carriers (AT&T, Sprint, MCI WorldCom, etc.) hold a majority of the interLATA interexchange market, and the ILECs provide a large portion of the intraLATA interexchange market. Numerous other interexchange carriers have a smaller part of the market and one in which new entrants do not have a long history with any customers.

7.2.4 The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.

None.

7.2.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.

Both facilities-based and resold interexchange carriers have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly many of the ILECs offer similar intraLATA toll services.

7.2.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).

The interexchange service market is:

a. One with numerous competitors and limited barriers to entry.

b. One in which established interexchange carriers have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market.

c. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

8. ALTERNATIVE OPERATOR SERVICE SPECIFIC ISSUES

Alternative Operator Service ("AOS") is a service industry that provides resold telecommunications and operator services to large distinct customers, such as hotels, motels, health care and correctional facilities. The AOS provider will contract with the hotel or correctional facility to provide services. The hotel or correctional facility is referred to as an "aggregator" as in the ordinary course of its operations it allows for intrastate telephone services to be available to its patrons. The patrons of the "aggregator" are referred to as "end-users." AOS services are provided by routing all calls originating from the aggregator premise to the AOS provider, which then handles the call to meet the needs of the end-user.

"End-users" have no control over the aggregator's subscription for long distance service, and as such are essentially captive customers for telecommunications services. The Commission has previously determined that it is in the public interest to ensure that an end user using the telecommunications services of an AOS provider be charged rates consistent with the corresponding rates and service charges of certified facilities-based toll carriers available to the calling public.

Staff has reviewed the authorized rates and service charges applicable to AOS providers. Staff reviewed the rates of AT&T Communications of the Mountain States, Inc. ("AT&T"), MCI Telecommunications Corporation, ("MCI"), Sprint Communications Company, (Sprint), Allnet Communications Services, Inc., ("Allnet"), and QWEST Communications ("QWEST"). Staff then developed the attached Schedule 1 and 2, establishing maximum rates for the AOS services. These maximum rates coupled with discounting authority provide the market participants with the ability to compete on price and service quality. The Commission adopted these maximum rates in Decision No. 61274.

8.1 RATE REVIEW PROCESS

Staff has reviewed the rates of five major toll carriers to establish the maximum AOS rates, service charges and operator-dialed surcharges set forth on Schedule 1 and 2. If any of the carriers forming the rate group obtain higher rates, the Applicant should be authorized to allow its rates to float in accordance with the carriers revised higher rates so long as the AOS provider complies with the following tariff filing requirements. The Applicant is required to file: 1) an estimate of the value of its plant to serve Arizona customers; 2) a tariff setting forth the new maximum rates, which do not exceed the maximum rates of the five major carriers set; and 3) all information required by A.A.C. R14-2-1110.

For example, AT&T currently has maximum rates in the night/weekend rate period in mileage bands 0 through 292 for the first minute and additional minutes in Schedule 1. In the event AT&T was to increase its rates in these mileage bands, the rates changed would establish new maximum rates in Schedule 1. Pursuant to Staff's recommendation, the Applicant would be allowed to seek authorization to increase its maximum rates and/or service charges accordingly by complying with the filing requirements described above.

8.2 DISCOUNTING AUTHORITY

Staff recommends that the Applicant should be allowed to discount its rates and service charges to the marginal cost of providing the services. Discount authority will provide the company with pricing flexibility to compete with other providers, as well as allow the potential benefits of price competition to accrue to end-users.

8.3 INTERLATA TOLL CHARGES

Staff recommends interLATA rates and service charges to be based on the maximum rates and service charges authorized for certain interexchange carriers ("IXCs") certificated in Arizona as described above.

Staff recommends that the Commission authorize the Applicant to charge the maximum rate in each mileage band, respective of the day of the week and time of the day, currently authorized for any of the facilities-based IXC's as set forth in Schedule 1. In addition, Staff recommends that the Commission limit the Company's service charges to the highest authorized maximum service charge of any of the facilities-based IXC's as set forth in Schedule 1.

8.4 INTRALATA TOLL CHARGES

Staff recommends IntraLATA rates and service charges to be based on the maximum rates and service charges of the various facilities-based carriers certified to carry intraLATA toll calls in Arizona as described above.

Staff recommends that the Commission authorize the Applicant to charge the maximum rate in each mileage band, respective of the day of the week and time of the day, currently authorized for any of the various facilities-based intraLATA carries set forth in Schedule 2. Furthermore, Staff recommends that the Commission limit the Company's service charges to the highest authorized maximum service charge of any of the facilities-based intraLATA carriers set forth in Schedule 2.

The attached Schedule 1 and 2 set forth Staff's recommended surcharges for interLATA and intraLATA toll calls respectively.

8.5 OPERATOR-DIALED SURCHARGE AND PROPERTY SURCHARGE

An operator-dialed surcharge is imposed when an end user has the capability to dial the call, but requests the operator to dial and make the call. A property surcharge is a per call bonus paid to the aggregator by the AOS Company. In prior decisions, the Commission has approved both an operator-dialed surcharge and a property (location-specific or subscriber) surcharge.

Staff recommends that the property surcharge be limited to $1.00 per call. The Commission has approved a property surcharge of $1.00 for the majority of AOS carriers certified in Arizona. Limiting the property surcharge provides a level playing field for the competitors. Staff recommends consistency in the property surcharge to stress the importance of providing service to the end-users, rather than higher payments to aggregators for the opportunity to serve end-users.

Staff recommends approval of the operator-dialed surcharge and the property surcharge as described in Schedule 1 and 2.

8.6 ZERO MINUS CALLS

The term "zero-minus" refers to calls by individuals who dial "0." The Commission adopted A.A.C. R14-2-1006(A), which requires the AOS provider to route all zero-minus calls to the originating LEC. The Commission also provided a waiver from the requirement upon a showing that the AOS provider could provide the caller with equally quick and reliable service. CF has not requested such a waiver.

8.7 PROPOSED TARIFF

In its original application, CF indicated that its AOS rates would be determined on an ICB. CF has since amended this statement and certified that its AOS services will not be provided on an ICB, that tariffs indicating its actual AOS rates will be submitted prior to the provision of service and that those rates will not exceed the maximum rates set forth in the attached Schedules 1 and 2.

9. PRIVATE LINE TELECOMMUNICATIONS SERVICE SPECIFIC ISSUES

Private line service is a direct circuit or channel specifically dedicated to the use of an end user organization for the purpose of directly connecting two or more sites in a multi-site enterprise. Private line service provides a means by which customers may transmit and receive messages and data among various customer locations over facilities operated and provided by the Applicant. The Applicant is therefore engaged in providing telecommunications service for hire to the public, which fits the definition of a common carrier and a public service corporation. Staff believes the Commission has jurisdiction over the services to be provided by CF. Staff also believes a hearing is necessary. On September 29, 2005, CF submitted revised tariff pages reflecting the actual rates that will be charged for Private Line Services. Staff has reviewed these rates and believes that they are comparable to the rates of other Private Line Service providers currently operating in the State of Arizona.

The Applicant would initially be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers are providing telephone and private line services. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

10. RECOMMENDATIONS

The following sections contain the Staff recommendations on the application for a CC&N and the Applicant's petition for a Commission determination that its proposed services should be classified as competitive.

10.1 RECOMMENDATIONS ON THE APPLICATION FOR A CC&N

Staff recommends that Applicant's application for a CC&N to provide intrastate telecommunications services, as listed in this Report, be granted. In addition, Staff further recommends:

1. That the Applicant complies with all Commission Rules, Orders and other requirements relevant to the provision of intrastate telecommunications services;

2. That the Applicant abides by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-93-0183;

3. That the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve areas where the Applicant is the only provider of local exchange service facilities;

4. That the Applicant be required to notify the Commission immediately upon changes to the Applicant's name, address or telephone number;

5. That the Applicant cooperate with Commission investigations including, but not limited to customer complaints;

6. The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the company and has determined that its fair value rate base is $1,978,949. Staff has reviewed the rates to be charged by the Applicant and believes they are just and reasonable as they are comparable to other competitive local carriers, local incumbent carriers and major long distance companies offering service in Arizona and comparable to the rates the Applicant

charges in other jurisdictions. The rate to be ultimately charged by the company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the company, the fair value information provided was not given substantial weight in this analysis;

7. If at some future date, the Applicant wants to collect advances, deposits and/or prepayments from its resold interexchange service customers, Staff recommends that the Applicant be required to file an application with the Commission for Commission approval. Such application must reference the decision in this docket and must explain the applicant's plans for procuring its performance bond;

8. That the Applicant offer Caller ID with the capability to toggle between blocking and unblocking the transmission of the telephone number at no charge;

9. That the Applicant offer Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated;

10. Staff further recommends that the Commission authorize the Applicant to discount its rates and service charges to the marginal cost of providing the services;

11. That the Applicant submit interexchange tariffs indicating that it does not collect advances, deposits and or prepayments;

12. The Applicant's interLATA rates and service charges for AOS services should be based on the maximum rates and service charges as set forth in Schedule 1;

13. The Applicant's intraLATA rates and service charges for AOS services should be based on the maximum rates and service charges as set forth in Schedule 2;

14. The Applicant's property surcharge for AOS services be limited to $1.00 per call.

Staff further recommends that the Applicant be ordered to comply with the following. If it does not do so, the Applicant's CC&N shall be null and void without further order of the Commission and no time extensions shall be granted.

1. The Applicant shall docket conforming tariffs for each service within its CC&N within 365 days from the date of an Order in this matter or 30 days prior to providing service, whichever comes first. The tariffs submitted shall coincide with the application and state that the Applicant does not collect advances, deposits and/or prepayments from its customers.

2. The Applicant shall:

   a. Procure a performance bond equal to $225,000. The minimum bond amount of $225,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The bond amount should be increased in increments of $112,500. This increase should occur when the total amount of the advances, deposits, and prepayments is within $22,500 of the bond amount.

b. Docket proof of the performance bond within 365 days of the effective date of an Order in this matter or 30 days prior to the provision of service, whichever comes first. The performance bond must remain in effect until further order of the Commission.

c. If at some time in the future the Applicant does collect advances, deposits and/or prepayments from its customers, Staff recommends that the Applicant be allowed to file a request for cancellation of its established performance bond regarding its resold services. Such request must reference the decision in this docket and must explain the Applicant's plans for canceling those portions of the bond.

10.2 RECOMMENDATION ON THE APPLICANT'S PETITION TO HAVE ITS PROPOSED SERVICES CLASSIFIED AS COMPETITIVE

Staff believes that the Applicant's proposed services should be classified as competitive. There are alternatives to the Applicant's services. The Applicant will have to convince customers to purchase its services, and the Applicant has no ability to adversely affect the local exchange or interexchange service markets. Therefore, the Applicant currently has no market power in the local exchange or interexchange service markets where alternative providers of telecommunications services exist. Staff therefore recommends that the Applicant's proposed services be classified as competitive.

Attachment A

The following are the states in which CF's affiliates are currently certificated to provide telecommunications services:

1. Alabama
2. Arkansas
3. California
4. Colorado
5. Conecticut
6. Georgia
7. Idaho
8. Illinois
9. Indiana
10. Kansas
11. Kentucky
12. Louisiana
13. Massachusetts
14. Michigan
15. Minnesota
16. Mississippi
17. Missouri
18. Nebraska
19. Nevada
20. New Hampshire
21. New Mexico
22. New York
23. North Carolina
24. Ohio
25. Oklahoma
26. Oregon
27. South Carolina
28. Tennessee
29. Texas
30. Vermont
31. Virginia
32. Washington
33. West Virginia
34. Wisconsin

Schedule 1

Alternative Operator Services
Maximum InterLata Usage Charges

Mileage Band	Day Time (a)		Evening/Holiday (b)		Night/Weekend (c)	
	First Minute	Addtl. Minute	First Minute	Addtl. Minute	First Minute	Addtl. Minute
0-10	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
11-16	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
17-22	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
23-30	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
31-40	0.5065	0.3000	0.3135	0.3000	0.3000	0.3000
41-55	0.5307	0.3332	0.3135	0.3000	0.3000	0.3000
56-70	0.5560	0.3732	0.3590	0.3000	0.3000	0.3000
71-124	0.5560	0.3865	0.3590	0.3000	0.3000	0.3000
125-196	0.5560	0.4265	0.3590	0.3000	0.3000	0.3000
197-292	0.5560	0.4799	0.3590	0.3000	0.3000	0.3000
293 & Over	0.5800	0.4820	0.3908	0.3000	0.3000	0.3000

Rate Periods

(a) Day time is Monday through Friday 8:00 a.m. to 5 p.m.
(b) Evening/Holiday is Sunday through Friday 5:00 p.m. to 11:00 p.m.
Officially recognized holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas Day. Evening rates are applicable during all holiday hours, except for hours when a lower rate (i.e. Night/Weekend) is applicable.
(c) Night/Weekend is Sunday through Thursday 11:00 p.m. to 8:00 a.m., 11:00 p.m. Friday through 5:00 p.m. Sunday.

Alternative Operator Services
Maximum InterLata Services Charges

Service (1) (2)	Maximum Charge
Customer Dialed Calling or Credit Card	$1.50
Operator Dialed Calling or Credit Card	$2.50
Station – to – Station Collect	$2.33
Person – to – Person Collect	$4.66
Third Party Person – to – Person	$4.66
Third Party Station – to Station	$2.33
Person—to – Person	$4.50
Station – to – Station	$3.50
Directory Assistance	$2.00

(1) An Operator Dialed Surcharge of $2.00 will be applied to an end user who has the capability to call, but requests the operator to do so instead. In accordance with A.A.C. R14-2-1005, end users shall be informed of this charge before call completion. This surcharge will not be imposed in cases of equipment failure or where the end user is experiencing a disability.

(2) A Property Surcharge, Subscriber Surcharge or Location Specific Charge may be added to all operator assisted calls completed from Company subscriber locations. This surcharge will appear on the customer's bill and will be capped at $1.00 per call; all of this surcharge will be remitted to the aggregator; however, this surcharge will not be collected by the Company if the aggregator is also collecting a surcharge.

Company____________________
Docket No. ____________________
Decision No.____________________

Schedule 2

Alternative Operator Services
Maximum IntraLata Usage Charges

Mileage Band	Day Time (a)		Evening/Holiday (b)		Night/Weekend (c)	
	First Minute	Addtl. Minute	First Minute	Addtl. Minute	First Minute	Addtl. Minute
0-10	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
11-16	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
17-22	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
23-30	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
31-40	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
41-55	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
56-70	0.5200	0.3300	0.3590	0.3000	0.3000	0.3000
71-124	0.5200	0.3300	0.3590	0.3000	0.3000	0.3000
125-196	0.5300	0.3600	0.3590	0.3000	0.3000	0.3000
197-292	0.5800	0.3600	0.3590	0.3000	0.3000	0.3000
293 & Over	0.5800	0.3800	0.3980	0.3000	0.3300	0.3000

Rate Periods

(a) Day time is Monday through Friday 8:00 a.m. to 5 p.m.
(b) Evening/Holiday is Sunday through Friday 5:00 p.m. to 11:00 p.m.
Officially recognized holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas Day. Evening rates are applicable during all holiday hours, except for hours when a lower rate (i.e. Night/Weekend) is applicable.
(c) Night/Weekend is Sunday through Thursday 11:00 p.m. to 8:00 a.m., 11:00 p.m. Friday through 5:00 p.m. Sunday.

Alternative Operator Services
Maximum IntraLata Services Charges

Service (1) (2)	Maximum Charge
Customer Dialed Calling or Credit Card	$1.50
Operator Dialed Calling or Credit Card	$2.50
Station – to – Station Collect	$2.30
Person – to – Person Collect	$4.50
Third Party Person – to – Person	$4.50
Third Party Station – to Station	$2.30
Person—to – Person	$4.50
Station – to – Station	$3.50
Directory Assistance	$2.00

(1) An Operator Dialed Surcharge of $2.00 will be applied to the capability to call, but requests the operator to do so instead. In accordance with A.A.C. R14-2-1005, end users shall be informed of this charge before call completion. This surcharge will not be imposed in cases of equipment failure or where the end user is experiencing a disability.
(2) A Property Surcharge, Subscriber Surcharge or Location Specific Charge may be added to all operator assisted calls completed from Company subscriber locations. This surcharge will appear on the customer's bill and will be capped at $1.00 per call; all of this surcharge will be remitted to the aggregator; however, this surcharge will not be collected by the Company if the aggregator is also collecting a surcharge.

Company____________________
Docket No. ___________________
Decision No.__________________

ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

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2005 SEP 29 P 3: 49

AZ CORP COMMISSION
DOCUMENT CONTROL

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF CHARTER FIBERLINK AZ-CCVII, LLC FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LONG DISTANCE AND LOCAL EXCHANGE, FACILITIES-BASED LONG DISTANCE **AND** LOCAL EXCHANGE, ALTERNATIVE OPERATOR SERVICES AND PRIVATE LINE TELECOMMUNICATIONS SERVICES.	DOCKET NO. T-04260A-04-0 8 **PROCEDURAL ORDER**

BY THE COMMISSION:

On May 20, 2004, Charter Fiberlink AZ-CCVII, LLC ("Applicant") submitted to the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide resold long distance, facilities-based long distance, resold local exchange, facilities-based local exchange, alternative operator services and private line telecommunications services within the State of Arizona. The application petitioned the Commission for determination that its proposed services should be classified as competitive.

On December 10, 2004, the Commission's Utilities Division Staff ("Staff") filed a Staff Report recommending approval of the application subject to certain conditions.

By Procedural Order issued December 17, 2004, the matter was set for hearing to commence on March 10, 2005.

Applicant caused notice of the hearing to be published in the *Arizona Republic,* a newspaper of general circulation in the requested Certificate service area. No requests for intervention were filed.

On March 10, 2005 the hearing convened as scheduled. No members of the public appeared to provide public comment.

At the hearing, Applicant requested an indefinite continuance of the hearing pending a possible amendment to its application.

By Procedural Order issued April 6,2005, the hearing was continued for a period of 180 days, and Applicant was informed that if no amendment to the application or request for hearing was filed by September 6,2005, that the docket would be administratively closed.

On September 1, 2005, Applicant filed a Request for Hearing. Applicant indicated therein that it would not be filing an amendment to its application.

By Procedural Order issued September 12, 2005, a new hearing date was set for September 30,2005.

On September 29, 2005, Applicant filed a revised tariff showing rates in addition to ICB (individual case basis) for private line services and pro forma tariffs showing service descriptions and rates for various local exchange and long distance service offerings. The September 29, 2005 filing also included other updated information.

Prior to a hearing on the Application, Staff should have an opportunity to update its Staff Report in response to the Company's September 29, 2005 filing, and the timeclock should be suspended accordingly.

IT IS THEREFORE ORDERED that the **hearing** on this matter set for September 30,2005 at 10:00 a.m. is hereby **continued** to **November 22,2005 at 10:00 a.m.** to allow time for Staff to file an amendment to its Staff Report in response to the Applicant's September 29,2005 filing.

IT IS FURTHER ORDERED that Staff shall file an amendment to its Staff Report by October 28,2005.

IT IS FURTHER ORDERED that the timeclock in this proceeding is suspended pending the continuation of the hearing.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

. . .

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. . .

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized Communications) applies to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

DATED this 29th day of September, 2005.

TEENA WOLFE
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/faxed
this 29 day of September, 2005 to:

Michael W. Patten
ROSHKA HEYMAN & DeWULF
One Arizona Center
400 East Van Buren Street, Ste. 800
Phoenix, AZ 85004
Attorney for Fiberlink AZ-CCVII, LLC

Christopher Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Anzona 85007

ARIZONA REPORTING SERVICE, INC.
2627 N. Third Street, Ste. Three
Phoenix, Anzona 85004-1104

By:
Molly Johnson
Secretary to Teena Wolfe

NEW APPLICATION

FRIEND, HUDAK & HARRIS, LLP
ATTORNEYS AT LAW
SUITE 1450
THREE RAVINIA DRIVE
ATLANTA, GEORGIA 30346-2117

(770) 399-9500
FACSIMILE (770) 395-0000
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2004 MAY 20 A 10: 23

AZ CORP COMMISSION
DOCUMENT CONTROL

May 18, 2004

VIA OVERNIGHT MAIL

Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007-2927

T-04260A-04-0383

Re: Application and Petition of Charter Fiberlink AZ - CCVII, LLC for a Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services (the "Application")

Dear Sir or Madam:

Enclosed are the original and fourteen (14) copies of Charter Fiberlink AZ – CCVII, LLC's ("Charter") Application. Please file Charter's Application in your usual fashion and return one (1) file-stamped copy to us in the enclosed envelope.

If you have any questions or comments, please call the undersigned.

Sincerely,

Brad S. Macdonald

BSM/jh
Enc.
cc: Charter Fiberlink AZ – CCVII, LLC
(with enclosure)

EXHIBIT
A-1
admitted 11-22-05

ARIZONA CORPORATION COMMISSION

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2004 MAY 20 A 10: 23

AZ CORP COMMISSION
DOCUMENT CONTROL

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services

Mail original plus 13 copies of completed application to:

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

For Docket Control Only:
(Please Stamp Here)

Please indicate if you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

Type of Service: **Not applicable**

Docket No.: ______ Date: ______ Date Docketed: ______

Type of Service: **Not applicable**

Docket No.: ______ Date: ______ Date Docketed: ______

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

X Resold Long Distance Telecommunications Services (Answer Sections A, B).

X Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).

X Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).

X Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)

X Alternative Operator Services Telecommunications Services (Answer Sections A, B)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674
Tel: (314) 965-0555
Fax: (314) 965-6640
www.charter.com

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2): **None.**
(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact: **Carrie L. Cox** **Director of Legal and Regulatory Affairs** **Charter Fiberlink AZ - CCVII, LLC** **12405 Powerscourt Drive** **St. Louis, Missouri 63131-3674** **Tel: (314) 543-2567** **Fax: (314) 965-6640** **CCox1@chartercom.com**
(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant: **Charles A. Hudak** **Brad S. Macdonald** **Friend, Hudak & Harris, LLP** **Three Ravinia Drive, Suite 1450** **Atlanta, Georgia 30346-2131** **Tel: (770) 399-9500** **Fax: (770) 395-0000** **chudak@fh2.com** **bmacdonald@fh2.com**
(A-6) The name, address, telephone number (including area code), facsimile number (including area code), E-mail address of the Applicant's Complaint Contact Person: **Carrie L. Cox** **Director of Legal and Regulatory Affairs** **Charter Fiberlink AZ - CCVII, LLC** **12405 Powerscourt Drive** **St. Louis, Missouri 63131-3674** **Tel: (314) 543-2567** **Fax: (314) 965-6640** **CCox1@chartercom.com**
(A-7) What type of legal entity is the Applicant? __ Sole proprietorship __ Partnership: ____ Limited, ____ General, ____ Arizona, ____ Foreign X Limited Liability Company: ____ Arizona, X Foreign __ Corporation: ____ "S", ____ "C", ____ Non-profit Domicile: ____ Arizona, ____ Foreign Other, specify: ________________________________

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in the State of Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership of each person listed in A-8.2.

See Attachment "A".

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

See Attachment "B".

(A-10) Indicate the geographic market to be served:

X Statewide. (Applicant adopts statewide map of Arizona provided with this application).

___ Other. Describe and provide a detailed map depicting the area.

See Attachment "C".

(A-11) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Describe in detail any such involvement. Please make sure you provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

Neither the Applicant nor any of its officers, directors, partners, or managers have been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

(A-12) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

Describe in detail any such judgments or convictions. Please make sure you provide the following information:

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.

3. Copy of the Court order, if applicable.

Neither the Applicant nor any of its officers, directors, partners, or managers have been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

_X_ Yes ___ No

Applicant's initial service offering in Arizona will be merely point-to-point data services that are not interconnected with the public switched telephone network. Such services will not permit access to alternative toll service providers or resellers via 1+101XXXX. However, when Applicant expands its service offerings to include traditional switched/interconnected local exchange and long distance services, Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

(A-14) Is applicant willing to post a Performance Bond? Please check appropriate box(s).

___ For Long Distance Resellers, a $10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

___ Yes _X_ No

If "No", continue to question (A-15).

___ For Local Exchange Resellers, a $25,000 bond will be recommended.

___ Yes _X_ No

If "No", continue to question (A-15).

___ For Facilities-Based Providers of Long Distance, a $100,000 bond will be recommended.

___ Yes _X_ No

If "No", continue to question (A-15).

___ For Facilities-Based Providers of Local Exchange, a $100,000 bond will be recommended.

___ Yes _X_ No

If "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

(A-15) If No to any of the above, provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the applicant's superior financial position limits any risk to Arizona consumers.

Applicant's deposit policy is set forth in Section 2.8 at page 20 of its Tariff No. 1, and Section 2.8 at page 20 of its Tariff No. 2. These sections provide that Applicant "may, in some instances, require deposits from Customers. Any such cash deposit received by [Applicant] will bear simple interest at a rate of 7% per annum. Deposits will not exceed two and a half times (2.5x) the estimated monthly charge for service." Applicant anticipates that it will generally not require deposits from its customers. However, in some instances Applicant may seek a deposit from a Customer when, for example, Applicant perceives the customer to be a credit risk.

Applicant is a newly created limited liability company. As a limited liability company, Applicant has members instead of shareholders. CCVII Fiberlink, LLC owns one hundred percent (100%) of Applicant's membership interests. Charter Communications, Inc. ("Charter"), which is a publicly traded company (Nasdaq – CHTR) in turn, indirectly owns one hundred percent (100%) of CCVII Fiberlink, LLC. During the 2003 calendar year, Charter Communications, Inc. generated approximately $4.8 billion in revenues and, as of December 31, 2003, Charter had in excess of $21.4 billion in assets. Applicant, as a Charter operating subsidiary, has Charter's complete support of its Arizona operations. Charter's immense financial capability serves as adequate protection for Applicant's Arizona customers.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the applicant is requesting authority to provide service.

Note: For Resellers, the Applicant must complete and submit an Affidavit of Publication Form as Attachment "C" before Staff prepares and issues its report. Refer to the Commission's website for Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). For Facilities-Based Service Providers, the Hearing Division will advise the Applicant of the date of the hearing and the publication of legal notice. Do not publish legal notice or file affidavits of publication until your are advised to do so by the Hearing Division.

Applicant is applying for facilities-based authority. Therefore, no affidavits are required prior to the filing of this Application.

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

____ Yes   X No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

Applicant is not certificated and is not seeking certification to provide telecommunications and data communications services in any other state. However, Applicant has numerous affiliates who are certificated, or are seeking certification, to provide services similar to those described herein in the following states:

(a) Certificated Affiliates:

Charter Fiberlink - Alabama, LLC	Alabama	CLEC, IXC
Charter Fiberlink AR – CCVII, LLC	Arkansas	CLEC, IXC
Charter Fiberlink CA – CCO, LLC	California	IXC
Charter Fiberlink CA – CCVII, LLC	California	IXC
Charter Fiberlink CO – CCO, LLC	Colorado	CLEC, IXC
Charter Fiberlink - Georgia, LLC	Georgia	IXC
Charter Fiberlink ID - CCVII, LLC	Idaho	IXC
Charter Fiberlink - Illinois, LLC	Illinois	CLEC, IXC
Charter Fiberlink KS - CCO, LLC	Kansas	CLEC, IXC

Charter Fiberlink KS - CCO, LLC	Kansas	CLEC, IXC
Charter Fiberlink - Kentucky, LLC	Kentucky	CLEC, IXC
Charter Fiberlink MA - CCO, LLC	Massachusetts	CLEC, IXC
Charter Fiberlink - Michigan, LLC	Michigan	CAP, IXC
Charter Fiberlink, LLC	Minnesota	CLEC, IXC
Charter Fiberlink - Missouri, LLC	Missouri	CLEC, IXC
Charter Fiberlink - Nebraska, LLC	Nebraska	CLEC, IXC
Charter Fiberlink NV – CCVII, LLC	Nevada	CLEC, IXC
Charter Fiberlink NM – CCO, LLC	New Mexico	CLEC
Charter Fiberlink NY - CCO, LLC	New York	CLEC, IXC
Charter Fiberlink NC - CCO, LLC	North Carolina	CLEC, IXC
Charter Fiberlink NC - CCVII, LLC	North Carolina	CLEC, IXC
Charter Fiberlink OR - CCVII, LLC	Oregon	CLEC, IXC
Charter Fiberlink SC - CCO, LLC	South Carolina	CLEC, IXC
Charter Fiberlink SC - CCVII, LLC	South Carolina	CLEC, IXC
Charter Fiberlink - Tennessee, LLC	Tennessee	CLEC, IXC
Charter Fiberlink TX - CCO, LLC	Texas	IXC
Charter Fiberlink VT - CCO, LLC	Vermont	CLEC, IXC
Charter Fiberlink WA- CCVII, LLC	Washington	CLEC, IXC
Charter Fiberlink, LLC	Wisconsin	CLEC, IXC

(b) Affiliates with Certifications Pending:

Affiliate	***State***	***Authorization Sought***
Charter Fiberlink CA - CCO, LLC	California	CLEC
Charter Fiberlink CA - CCVII, LLC	California	CLEC
Charter Fiberlink CT - CCO, LLC	Connecticut	CLEC, IXC
Charter Fiberlink - Georgia, LLC	Georgia	CLEC
Charter Fiberlink – ID CCVII, LLC	Idaho	CLEC
Charter Fiberlink LA - CCO, LLC	Louisiana	CLEC, IXC
Charter Fiberlink LA - CCVI, LLC	Louisiana	CLEC, IXC
Charter Fiberlink MS – CCVI, LLC	Mississippi	CLEC, IXC
Charter Fiberlink MS – CCVII, LLC	Mississippi	CLEC, IXC
Charter Fiberlink NM – CCO, LLC	New Mexico	IXC
Charter Fiberlink NY - CCVII, LLC	New York	CLEC, IXC
Charter Fiberlink OK - CCVII, LLC	Oklahoma	CLEC, IXC
Charter Fiberlink VA – CCO, LLC	Virginia	CLEC, IXC
Charter Fiberlink VA – CCVI, LLC	Virginia	CLEC, IXC
Charter Fiberlink VA – CCVII, LLC	Virginia	CLEC, IXC
Charter Fiberlink WV – CCO, LLC	West Virginia	CLEC, IXC
Charter Fiberlink WV - CCVI, LLC	West Virginia	CLEC, IXC

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona.

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

See Item A-19 above. In addition, the key personnel comprising Applicant's management team

are described at Attachment "F".

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

None of Applicant's affiliates, as defined in R14-2-801, is an alternative provider of Applicant's services in Arizona.

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

___ Yes _X_ No

If "No," explain why and give the date on which the Applicant began operations.

Applicant is a newly formed entity and has not yet begun operations. Applicant anticipates commencing operations shortly after approval of this Application. Applicant has the assurance of Charter that it will be provided with the financial resources necessary to operate on a continuous basis in the State of Arizona. The most recent public financial statements of Charter, which appeared in Charter's Securities and Exchange Commission Form 10-K dated March 15, 2004, are attached hereto at Attachment "D".

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

Because Applicant is a newly formed entity and has not yet begun operations, it does not have financial statements for the two (2) most recent years. However, Applicant has the assurance of its ultimate corporate parent, Charter, that it will be provided with the financial resources necessary to operate on a continuous basis in the State of Arizona. Accordingly, Applicant is providing Charter's audited financial information for the two (2) most recent years (2002 and 2003) at Attachment "D" hereto.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

Applicant will obtain financing directly from Charter to support its initiation of service, its initial provision of voice and data communications services in Arizona, and, if necessary, its procurement of any systems or facilities. However, inasmuch as Applicant merely intends to operate leased facilities procured from its cable affiliates and other providers operating in Arizona, Applicant believes that the revenues that it will derive from its subscribers will provide adequate financing to support its ongoing operations.

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of

telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.

2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.

3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

4. If the projected value of all assets is zero, please specifically state this in your response.

5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

See Attachment "E".

C. RESOLD AND/OR FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation,

___ Yes   X No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in the State of Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

___ Yes   X No

If "Yes," provide the following information: **Not Applicable.**

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services for the State of Arizona.

2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in the State of Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in the State of Arizona:

Applicant intends to begin offering its point-to-point private line data services in Arizona shortly after the Commission grants it the authority to do so.

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

X Decision # 64178 Resold Long Distance

X Decision # 64178 Resold LEC

X Decision # 64178 Facilities Based Long Distance

X Decision # 64178 Facilities Based LEC

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59241:

X Yes ___ No

(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

X Yes ___ No

Applicant's initial service offering in Arizona will be merely point-to-point data services that are not interconnected with the public switched telephone network. Such services will not permit access to 911 and E911 services. However, when Applicant expands its service offerings to include traditional switched/interconnected local exchange service, Applicant's customers will be able to access 911 and E911 services.

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

☐ Yes ☐ No

Not applicable. Applicant's initial service offering will not require it to deploy a switch. However, when Applicant expands its service offerings to include traditional switched/interconnected local exchange service, any switch it deploys will be equal access capable.

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulation of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

CHARTER FIBERLINK AZ - CCVII, LLC

Mark E Barber

Mark Barber
Vice President - Telephony

May 11, 2004

SUBSCRIBED AND SWORN to before me this 11th day of May, 2004

Joan Oatis
NOTARY PUBLIC

JOAN OATIS
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
ST. LOUIS CITY
MY COMMISSION EXPIRES JUNE 15. 2007

My Commission Expires June 15, 2007

ATTACHMENT "A"

Applicant's Certificate of Good Standing is attached hereto.

Applicant is a Delaware limited liability company. As a limited liability company, Applicant has members instead of shareholders. CCVII Fiberlink, LLC owns one hundred percent (100%) of Applicant's membership interests. Charter Communications, Inc., in turn, indirectly owns one hundred percent (100%) of CCVII Fiberlink, LLC.

Applicant's officers and directors are as follows:

OFFICERS

Carl E. Vogel, President and Chief Executive Officer

Steven A. Schumm, Executive Vice President, Chief Administrative Officer and Interim Chief Financial Officer

Margaret A. BellVille, Executive Vice President and Chief Operating Officer

Curtis S. Shaw, Executive Vice President and General Counsel

Paul E. Martin, Senior Vice President – Corporate Controller

Wayne Davis, Senior Vice President – Engineering & Technical Operations

Steve J. Santamaria, Assistant to the President and Vice President – Management Services

Eloise E. Schmitz, Vice President – Finance & Acquisitions, Treasurer and Assistant Secretary

Marcy Lifton Vice President and Senior Counsel and Assistant Secretary

Timothy L. Sims, Vice President – Tax

Mark Barber, Vice President – Telephony

Hunt Sevier Brown, Vice President, Counsel – Legal Operations & Assistant Secretary

Carrie Cox, Assistant Secretary

DIRECTOR

Thomas A. Cullen

* The business address for all officers and directors is 12405 Powerscourt Drive, St. Louis, Missouri 63131.

STATE OF ARIZONA

Office of the
CORPORATION COMMISSION

CERTIFICATE OF REGISTRATION

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

******CHARTER FIBERLINK AZ-CCVII, LLC******

a foreign limited liability company organized under the laws of the jurisdiction of Delaware did obtain a Certificate of Registration in Arizona on the 9th day of February 2004.

This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 21st Day of February, 2004, A. D.

Executive Secretary

By Celia Sarmiento

AZ. CORP. COMMISSION
DELIVERED

FEB 0 9 2004

APPR. Celia Sarmiento

TERM

DATE 2·9·04

R·1116486·0

APPLICATION FOR REGISTRATION OF A FOREIGN LIMITED LIABILITY COMPANY

DO NOT PUBLISH THIS SECTION

1. The company name must contain an ending which may be "limited liability company," "limited company," or the abbreviations "L.L.C.", "L.C.", "LLC" or "LC". If you are the holder or assignee of a tradename or trademark, attach Declaration of Tradename Holder form. If you do not plan to use the name in Arizona, under which your company is organized, then provide the name which you plan to use.

2. Provide the name of the state or jurisdiction under whose laws your company was formed.

3. Provide the date on which your company organized in the state or jurisdiction under whose laws it was formed.

4. Provide the general character of business you plan to transact in Arizona.

5. The statutory agent must provide both a physical and mailing address. If statutory agent has a P.O. Box, then they must provide a physical description of their street address/location.

1.a. The name of the limited liability company is:

Charter Fiberlink AZ-CCVII, LLC

1.b. If the name of the company is different than the proposed name for use in Arizona, then the name under which the company proposes to transact business in Arizona:

______

1.c. If the name of the company does not contain the words "Limited Liability Company," "Limited Company," "L.L.C." or "L.C.," then the name of the company with the words or abbreviation which it elects to add thereto for use in Arizona is:

______

2. The company is organized under the laws of: Delaware

3. The date of the company's formation is: 1/20/2004

4. The purpose of the company or the general character of business it proposes to transact in Arizona is:

cable telecommunications

5. The name and street address of the statutory agent for the foreign limited liability company in Arizona is:

Corporation Service Company
2338 W. Royal Palm Road, Suite J
Phoenix, AZ 85021

DO NOT PUBLISH THIS SECTION

6. If you do not appoint a statutory agent when you file the application, you must do so within sixty days of filing. Your failure to do so, may result in revocation of your Certificate of Registration.

7. If the jurisdiction under the law of which your company is formed, you must provide the address of the principle office of the company, in whatever state or jurisdiction it is located.

The application must be executed by a member, manager or duly authorized agent.

Phone and Fax are optional.

The agent must consent to the appointment by executing the consent.

See A.R.S. §29-601 et seq. for more info.

LL0005
Rev. 09/03

6. The Arizona Corporation Commission is appointed as the Statutory Agent for service of process if either of the following occur.

   A. An agent has not been appointed under paragraph 5, or if the agent's authority has been revoked.

   B. The agent cannot be found or served with the exercise of reasonable diligence.

7. The address of the office required to be maintained in the jurisdiction under the laws of which the company is organized, if required; or, if not required, the address of the principal office of the company is:

12405 Powerscourt Dr., St. Louis, MO 63131

Executed this 3rd day of February, 2004.

[signature]

Patricia M. Carroll
Vice President of Charter
Communications, Inc., Mgr.

[print name] [title]

PHONE 314-965-0555 FAX 314-965-6640

ACCEPTANCE OF APPOINTMENT BY STATUTORY AGENT

I, Corporation Service Company, having been designated to act as statutory agent, hereby consent to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Deborah D. Skipper
[Signature]

Deborah D. Skipper
Asst. V. Pres.
[Print name]

[If signing on behalf of a company serving as statutory agent, print company name here]

LIMITED LIABILITY COMPANY AGREEMENT

OF

CHARTER FIBERLINK AZ-CCVII, LLC

(a Delaware Limited Liability Company)

This LIMITED LIABILITY COMPANY AGREEMENT (as amended from time to time, this "Agreement") is entered into as of February 11, 2004, by CC VII Fiberlink, LLC, a Delaware limited liability company ("CCVII"), as the sole member of Charter Fiberlink AZ-CCVII, LLC, a Delaware limited liability company (the "Company").

W I T N E S S E T H:

WHEREAS, the Certificate of Formation of the Company was executed and filed in the office of the Secretary of State of the State of Delaware on January 20, 2004;

WHEREAS, CC VII Fiberlink, LLC is the sole member of the Company; and

NOW, THEREFORE, in consideration of the terms and provisions set forth herein, the benefits to be gained by the performance thereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the party hereby agrees as follows:

SECTION 1. *General.*

(a) *Formation.* Effective as of the date and time of filing of the Certificate of Formation in the office of the Secretary of State of the State of Delaware, the Company was formed as a limited liability company under the Delaware Limited Liability Company Act, 6 *Del.C.* § 18-101, et. seq., as amended from time to time (the "Act"). Except as expressly provided herein, the rights and obligations of the Members (as defined in Section 1(h)) in connection with the regulation and management of the Company shall be governed by the Act.

(b) *Name.* The name of the Company shall be "Charter Fiberlink AZ - CCVII, LLC." The business of the Company shall be conducted under such name or any other name or names that the Manager (as defined in Section 4(a)(i) hereof) shall determine from time to time.

(c) *Registered Agent.* The address of the registered office of the Company in the State of Delaware shall be c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The name and address of the registered agent for service of process on the Company in the State of Delaware shall be Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The registered office or registered agent of the Company may be changed from time to time by the Manager.

(d) *Principal Office.* The principal place of business of the Company shall be at 12405 Powerscourt Drive, St. Louis, MO 63131. At any time, the Manager may change the location of the Company's principal place of business.

(e) *Term.* The term of the Company commenced on the date of the filing of the Certificate of Formation in the office of the Secretary of State of the State of Delaware, and the Company will have perpetual existence until dissolved and its affairs wound up in accordance with the provisions of this Agreement.

(f) *Certificate of Formation.* The execution of the Certificate of Formation by Janeen Domagalski, Authorized Person, and the filing thereof in the office of the Secretary of State of the State of Delaware are hereby ratified, confirmed and approved.

(g) *Qualification; Registration.* The Manager shall cause the Company to be qualified, formed or registered under assumed or fictitious name statutes or similar laws in any jurisdiction in which the Company transacts business and in which such qualification, formation or registration is required or desirable. The Manager, as an authorized person within the meaning of the Act, shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

(h) *Voting.* Each member of the Company (if there is only one member of the Company, the "Member"; or if there are more than one, the "Members") shall have one vote in respect of any vote, approval, consent or ratification of any action (a "Vote") for each one percentage point of Percentage Interest (as defined in Section 7) held by such Member (totaling 100 Votes for all Members) (any fraction of such a percentage point shall be entitled to an equivalent fraction of a Vote). Any vote, approval, consent or ratification as to any matter under the Act or this Agreement by a Member may be evidenced by such Member's execution of any document or agreement (including this Agreement or an amendment thereto) which would otherwise require as a precondition to its effectiveness such Vote, approval, consent or ratification of the Members.

SECTION 2. *Purposes.* The Company was formed for the object and purpose of, and the nature of the business to be conducted by the Company is, engaging in any lawful act or activity for which limited liability companies may be formed under the Act.

SECTION 3. *Powers.* The Company shall have all powers necessary, appropriate or incidental to the accomplishment of its purposes and all other powers conferred upon a limited liability company pursuant to the Act.

SECTION 4. *Management.*

(a) *Management by Manager.*

i) Charter, as the sole member of the Company, hereby elects Charter Communications, Inc., a Delaware corporation ("CCI"), or its successor-in-interest that acquires directly or indirectly substantially all of the assets or business of CCI, as the Company's manager (the "Manager"). CCI shall be the Manager until a simple majority of the Votes elects otherwise. No additional person may be elected as Manager without the approval of a simple majority of the Votes (for purposes of this Agreement, to the extent the context requires, the term "person" refers to both individuals and entities). Except as otherwise required by applicable law and as provided below with respect to the Board, the powers of the Company shall at all times be exercised by or under the authority of, and the business, property and affairs of the Company shall be managed by, or under the direction of, the Manager. The Manager is a "manager" of the Company within the meaning of the Act. Any person appointed as Manager shall accept its appointment by execution of a consent to this Agreement.

ii) The Manager shall be authorized to elect, remove or replace directors and officers of the Company, who shall have such authority with respect to the management of the business and affairs of the Company as set forth herein or as otherwise specified by the Manager in the resolution or resolutions pursuant to which such directors or officers were elected.

iii) Except as otherwise required by this Agreement or applicable law, the Manager shall be authorized to execute or endorse any check, draft, evidence of indebtedness, instrument, obligation, note, mortgage, contract, agreement, certificate or other document on behalf of the Company without the consent of any Member or other person..

iv) No annual or regular meetings of the Manager or the Members are required. The Manager may, by written consent, take any action which it is otherwise required or permitted to take at a meeting.

v) The Manager's duty of care in the discharge of its duties to the Company and the Members is limited to discharging its duties pursuant to this Agreement in good faith, with the care a director of a Delaware corporation would exercise under similar circumstances, in the manner it reasonably believes to be in the best interests of the Company and its Members.

vi) Except as required by the Act, no Manager shall be liable for the debts, liabilities and obligations of the Company, including without limitation any debts, liabilities and obligations under a judgment, decree or order of a court, solely by reason of being a manager of the Company.

(b) *Board of Directors.*

i) Notwithstanding paragraph (a) above, the Manager may delegate its power to manage the business of the Company to a board of natural persons designated as "directors" (the "Board") which, subject to the limitations set forth below, shall have the authority to exercise all such powers of the Company and do all such lawful acts and things as may be done by a manager of a limited liability company under the Act and as are not by statute, by the Certificate of Formation (as amended from time to time, the "Certificate"), or by this Agreement (including without limitation Section 4(c) hereof) directed or required to be exercised or done by the Manager. Except for the rights and duties that are assigned to officers of the Company, the rights and duties of the directors may not be assigned or delegated to any person. No action, authorization or approval of the Board shall be required, necessary or advisable for the taking of any action by the Company that has been approved by the Manager. In the event that any action of the Manager conflicts with any action of the Board, the action of the Manager shall control.

ii) Except as otherwise provided herein, directors shall possess and may exercise all the powers and privileges and shall have all of the obligations and duties to the Company and the Members granted to or imposed on directors of a corporation organized under the laws of the State of Delaware.

iii) The number of directors on the date hereof is one, which number may be changed from time to time by the Manager. The director as of the date hereof shall be as set forth on Exhibit A hereto, provided that Exhibit A need not be amended whenever the director(s) or his or her successors are changed in accordance with the terms of this Agreement.

iv) Each director shall be appointed by the Manager and shall serve in such capacity until the earlier of his resignation, removal (which may be with or without cause) or replacement by the Manager.

v) No director shall be entitled to any compensation for serving as a director. No fee shall be paid to any director for attendance at any meeting of the Board; provided, however, that the Company may reimburse directors for the actual reasonable costs incurred in such attendance.

(c) *Consent Required.*

i) None of the Members, Managers, directors, or officers of the Company shall:

(1) do any act in contravention of this Agreement;

(2) cause the Company to engage in any business not permitted by the Certificate or the terms of this Agreement;

(3) cause the Company to take any action that would make it impossible to carry on the usual course of business of the Company (except to the extent expressly provided for hereunder); or

(4) possess Company property or assign rights in Company property other than for Company purposes.

ii) One hundred percentage (100%) of the Votes shall be required to:

(1) issue limited liability company interests in the Company to any person;

(2) change or reorganize the Company into any other legal form;

(3) approve a merger or consolidation of the Company with another person;

(4) sell all or substantially all of the assets of the Company; or

(5) voluntarily dissolve the Company.

iii) In addition to any approval that may be required under Section 15(b) to the extent amendment of this Agreement is required for any of the following actions, the affirmative vote, approval, consent or ratification of the Manager shall be required to:

(1) alter the primary purposes of the Company as set forth in Section 2;

(2) issue limited liability company interests in the Company to any person;

(3) enter into or amend any agreement which provides for the management of the business or affairs of the Company by a person other than the Manager (and the Board);

(4) change or reorganize the Company into any other legal form;

(5) approve a merger or consolidation of the Company with another person;

(6) sell all or substantially all of the assets of the Company;

(7) operate the Company in such a manner that the Company becomes an "investment company" for purposes of the Investment Company Act of 1940;

(8) except as otherwise provided or contemplated herein, enter into any agreement to acquire property or services from any person who is a director or officer of the Company;

(9) settle any litigation or arbitration with any third party, any Member, or any affiliate of any Member, except for any litigation or arbitration brought or defended in the ordinary course of business where the present value of the total settlement amount or damages will not exceed $5,000,000;

(10) materially change any of the tax reporting positions or elections of the Company;

(11) make or commit to any expenditures which, individually or in the aggregate, exceed or are reasonably expected to exceed the Company's total budget (as approved by the Manager) by the greater of 5% of such budget or Five Million Dollars ($5,000,000);

(12) make or incur any secured or unsecured indebtedness which, individually or in the aggregate, exceeds Five Million Dollars ($5,000,000), provided that this restriction shall not apply to (i) any refinancing of or amendment to existing indebtedness which does not increase total borrowing (including obligations under that certain Credit Agreement with Charter Communications Operating, LLC as the borrower, dated as of March 18, 1999, as amended and restated as of January 3, 2002 and as further amended and restated by the Second Amended and Restated Credit Agreement dated as of June 19, 2003 (the "Credit Agreement") and the Loan Documents (as defined in the Credit Agreement), all of which have been, and are hereby, ratified and confirmed), (ii) any indebtedness to (or guarantee of indebtedness of) any entity controlled by or under common control with the Company ("Intercompany Indebtedness"), (iii) the pledge of any assets to support any otherwise permissible indebtedness of the Company or any Intercompany Indebtedness or (iv) indebtedness necessary to finance a transaction or purchase approved by the Manager; or

(13) voluntarily dissolve the Company.

(d) *Board Meetings.*

i) *Regular Meetings.* Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board, but not less often than annually.

ii) *Special Meetings.* Special meetings of the Board may be called by the President or any director on twenty-four (24) hours' notice to each director; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of Members holding a simple majority of the Votes. Notice of a special meeting may be given by facsimile. Attendance in person of a director at a meeting shall constitute a waiver of notice of that meeting, except when the director objects, at the beginning of the meeting, to the transaction of any business because the meeting is not duly called or convened.

iii) *Telephonic Meetings.* Directors may participate in any regular or special meeting of the Board, by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 4(d)(iii) will constitute presence in person at such meeting.

iv) *Quorum.* At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by statute, the Certificate or this Agreement. If a quorum is not present at any meeting of the Board, the directors present thereat may adjourn the meeting from time to time until a quorum shall be present. Notice of such adjournment shall be given to any director not present at such meeting.

v) *Action Without Meeting.* Unless otherwise restricted by the Certificate or this Agreement, any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all directors consent thereto in writing and such written consent is filed with the minutes of proceedings of the Board.

(e) *Director's Duty of Care.* Each director's duty of care in the discharge of his or her duties to the Company and the Members is limited to discharging his duties pursuant to this Agreement in good faith, with the care a director of a Delaware corporation would exercise under similar circumstances, in the manner he or she reasonably believes to be in the best interests of the Company and its Members.

SECTION 5. *Officers.*

(a) *Officers.* The Company shall have such officers as may be necessary or desirable for the business of the Company. The officers may include a Chairman of the Board, a President, a Treasurer and a Secretary, and such other additional officers, including one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Manager, the Board, the Chairman of the Board, or the President may from time to time elect. Any two or more offices may be held by the same individual.

(b) *Election and Term.* The President, Treasurer and Secretary shall, and the Chairman of the Board may, be appointed by and shall hold office at the pleasure of the Manager or the Board. The Manager, the Board, or the President may each appoint such other officers and agents as such person shall deem desirable, who shall hold office at the pleasure of the Manager, the Board, or the President, and who shall have such authority and shall perform such duties as from time to time shall, subject to the provisions of Section 5(d) hereof, be prescribed by the Manager, the Board, or the President.

(c) *Removal.* Any officer may be removed by the action of the Manager or the action of at least a majority of the directors then in office, with or without cause, for any reason or for no reason. Any officer other than the Chairman of the Board, the President, the Treasurer or the Secretary may also be removed by the Chairman of the Board or the President, with or without cause, for any reason or for no reason.

(d) Duties and Authority of Officers.

i) *President.* The President shall be the chief executive officer and (if no other person has been appointed as such) the chief operating officer of the Company; shall (unless the Chairman of the Board elects otherwise) preside at all meetings of the Members and Board; shall have general supervision and active management of the business and finances of the Company; and shall see that all orders and resolutions of the Board or the Manager are carried into effect; subject, however, to the right of the directors to delegate any specific powers to any other officer or officers. In the absence of direction by the Manager, Board, or the Chairman of the Board to the contrary, the President shall have the power to vote all securities held by the Company and to issue proxies therefor. In the absence or disability of the President, the Chairman of the Board (if any) or, if there is no Chairman of the Board, the most senior available officer appointed by the Manager or the Board shall perform the duties and exercise the powers of the President with the same force and effect as if performed by the President, and shall be subject to all restrictions imposed upon him.

ii) *Vice President.* Each Vice President, if any, shall perform such duties as shall be assigned to such person and shall exercise such powers as may be granted to such person by the Manager, the Board or by the President of the Company. In the absence of direction by the Manager, the Board or the President to the contrary, any Vice President shall have the power to vote all securities held by the Company and to issue proxies therefor.

iii) *Secretary.* The Secretary shall give, or cause to be given, a notice as required of all meetings of the Members and of the Board. The Secretary shall keep or cause to be kept, at the principal executive office of the Company or such other place as the Board may direct, a book of minutes of all meetings and actions of directors and Members. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at Board meetings, the number of Votes present or represented at Members' meetings, and the proceedings thereof. The Secretary shall perform such other duties as may be prescribed from time to time by the Manager or the Board.

iv) *Treasurer.* The Treasurer shall have custody of the Company funds and securities and shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books of the Company to be maintained for such purpose; shall deposit all moneys and other valuable effects of the Company in the name and to the credit of the Company in depositories designated by the Manager or the Board; and shall disburse the funds of the Company as may be ordered by the Manager or the Board.

v) *Chairman of the Board.* The Chairman of the Board, if any, shall perform such duties as shall be assigned, and shall exercise such powers as may be granted to him or her by the Manager or the Board.

vi) *Authority of Officers.* The officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by action of the Manager or the Board not inconsistent with this Agreement, are agents of the Company for the purpose of the Company's business and the actions of the officers taken in accordance with such powers shall bind the Company.

SECTION 6. *Members.*

(a) *Members.* The Members of the Company shall be set forth on Exhibit B hereto as amended from time to time. At the date hereof, Charter is the sole Member, and it (or its predecessor) has heretofore contributed to the capital of the Company. Charter is not required to make any additional capital contribution to the Company; however, Charter may make additional capital contributions to the Company at any time in its sole discretion (for which its capital account balance shall be appropriately increased). Each Member shall have a capital account in the Company, the balance of which is to be determined in accordance with the principles of Treasury Regulation section 1.704-1(b)(2)(iv). The provisions of this Agreement, including this Section 6, are intended to benefit the Members and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company. Notwithstanding anything to the contrary in this Agreement, Charter shall not have any duty or obligation to any creditor of the Company to make any contribution to the Company.

(b) *Admission of Members.* Other persons may be admitted as Members from time to time pursuant to the provisions of this Agreement. If an admission of a new Member results in the Company having more than one Member, this Agreement shall be amended in accordance with the provisions of Section 15(b) to establish the rights and responsibilities of the Members and to govern their relationships.

(c) *Limited Liability.* Except as required by the Act, no Member shall be liable for the debts, liabilities and obligations of the Company, including without limitation any debts, liabilities and obligations of the Company under a judgment, decree or order of a court, solely by reason of being a member of the Company.

(d) *Competing Activities.* Notwithstanding any duty otherwise existing at law or in equity, (i) neither a Member nor a Manager of the Company, or any of their respective affiliates, partners, members, shareholders, directors, managers, officers or employees, shall be expressly or impliedly restricted or prohibited solely by virtue of this Agreement or the relationships created hereby from engaging in other activities or business ventures of any kind or character whatsoever and (ii) except as otherwise agreed in writing or by written Company policy, each Member and Manager of the Company, and their respective affiliates, partners, members, shareholders, directors, managers, officers and employees, shall have the right to conduct, or to possess a direct or indirect ownership interest in, activities and business ventures of every type and description, including activities and business ventures in direct competition with the Company.

(e) *Bankruptcy.* Notwithstanding any other provision of this Agreement, the bankruptcy (as defined in the Act) of a Member shall not cause the Member to cease to be a member of the Company and, upon the occurrence of such an event, the Company shall continue without dissolution.

SECTION 7. *Percentage Interests.* For purposes of this Agreement, "Percentage Interest" shall mean with respect to any Members as of any date the proportion (expressed as a percentage) of the respective capital account balance of such Member to the capital account balances of all Members. So long as Charter is the sole member of the Company, Charter's Percentage Interest shall be 100 percent.

SECTION 8. *Distributions.* The Company may from time to time distribute to the Members such amounts in cash and other assets as shall be determined by the Members acting by simple majority of the Votes. Each such distribution (other than liquidating distributions) shall be divided among the Members in accordance with their respective Percentage Interests. Liquidating distributions shall be made to the Members in accordance with their respective positive capital account balances. Each Member shall be entitled to look solely to the assets of the Company for the return of such Member's positive capital account balance. Notwithstanding that the assets of the Company remaining after payment of or due provision for all debts, liabilities, and obligations of the Company may be insufficient to return the capital contributions or share of the Company's profits reflected in such Member's positive capital account balance, a Member shall have no recourse against the Company or any other Member. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not be required to make a distribution to the Members on account of their interest in the Company if such distribution would violate the Act or any other applicable law.

SECTION 9. *Allocations.* The profits and losses of the Company shall be allocated to the Members in accordance with their Percentage Interests from time to time.

SECTION 10. *Dissolution; Winding Up.*

(a) *Dissolution.* The Company shall be dissolved upon (i) the adoption of a plan of dissolution by the Members acting by unanimity of the Votes and the approval of the Manager or (ii) the occurrence of any other event required to cause the dissolution of the Company under the Act.

(b) *Effective Date of Dissolution.* Any dissolution of the Company shall be effective as of the date on which the event occurs giving rise to such dissolution, but the Company shall not terminate unless and until all its affairs have been wound up and its assets distributed in accordance with the provisions of the Act and the Certificate is cancelled.

(c) *Winding Up.* Upon dissolution of the Company, the Company shall continue solely for the purposes of winding up its business and affairs as soon as reasonably practicable. Promptly after the dissolution of the Company, the Manager shall immediately commence to wind up the affairs of the Company in accordance with the provisions of this Agreement and the Act. In winding up the business and affairs of the Company, the Manager may, to the fullest extent permitted by law, take any and all actions that it determines in its sole discretion to be in the best interests of the Members, including, but not limited to, any actions relating to (i) causing written notice by registered or certified mail of the Company's intention to dissolve to be mailed to each known creditor of and claimant against the Company, (ii) the payment, settlement or compromise of existing claims against the Company, (iii) the making of reasonable provisions for payment of contingent claims against the Company and (iv) the sale or disposition of the properties and assets of the Company. It is expressly understood and agreed that a reasonable time shall be allowed for the orderly liquidation of the assets of the Company and the satisfaction of claims against the Company so as to enable the Manager to minimize the losses that may result from a liquidation.

SECTION 11. *Transfer.* At such time as the Company has more than one Member, no Member shall transfer (whether by sale, assignment, gift, pledge, hypothecation, mortgage, exchange or otherwise) all or any part of his, her or its limited liability company interest in the Company to any other person without the prior written consent of each of the other Members; *provided, however*, that this Section 11 shall not restrict the ability of any Member to transfer (at any time) (i) all or a portion of its limited liability company interest in the Company to another Member or (ii) pursuant to the Loan Documents (as defined in the Credit Agreement). Upon the transfer of a Member's limited liability company interest, the Manager shall provide notice of such transfer to each of the other Members and shall amend Exhibit B hereto to reflect the transfer.

SECTION 12. *Admission of Additional Members.* The admission of additional or substitute Members to the Company shall be accomplished by the amendment of this Agreement, including Exhibit B, in accordance with the provisions of Section 15(b), pursuant to which amendment each additional or substitute Member shall agree to become bound by this Agreement.

SECTION 13. *Tax Matters.* As of the date of this Agreement, the Company is a single-owner entity for United States federal tax purposes. So long as the Company is a single-owner entity for federal income tax purposes, it is intended that for federal, state and local income tax purposes the Company be disregarded as an entity separate from its owner for income tax purposes and its activities be treated as a division of such owner. In the event that the Company has two or more Members for federal income tax purposes, it is intended that (i) the Company shall be treated as a partnership for federal, state and local income tax purposes, and the Members shall not take any position or make any election, in a tax return or otherwise, inconsistent therewith and (ii) this Agreement will be amended to provide for appropriate book and tax allocations pursuant to subchapter K of the Internal Revenue Code of 1986, as amended.

SECTION 14. *Exculpation and Indemnification.*

(a) *Exculpation.* Neither the Members, the Manager, the directors of the Company, the officers of the Company, their respective affiliates, nor any person who at any time shall serve, or shall have served, as a director, officer, employee or other agent of any such Members, Manager, directors, officers, or affiliates and who, in such capacity, shall engage, or shall have engaged, in activities on behalf of the Company (a "Specified Agent") shall be liable, in damages or otherwise, to the Company or to any Member for, and neither the Company nor any Member shall take any action against such Members, Manager, directors, officers, affiliates or Specified Agent, in respect of any loss which arises out of any acts or omissions performed or omitted by such person pursuant to the authority granted by this Agreement, or otherwise performed on behalf of the Company, if such Member, Manager, director, officer, affiliate, or Specified Agent, as applicable, in good faith, determined that such course of conduct was in the best interests of the Company and within the scope of authority conferred on such person by this Agreement or approved by the Manager. Each Member shall look solely to the assets of the Company for return of such Member's investment, and if the property of the Company remaining after the discharge of the debts and liabilities of the Company is insufficient to return such investment, each Member shall have no recourse against the Company, the other Members or their affiliates, except as expressly provided herein; provided, however, that the foregoing shall not relieve any Member or the Manager of any fiduciary duty, duty of care or duty of fair dealing to the Members that it may have hereunder or under applicable law.

(b) *Indemnification.* In any threatened, pending or completed claim, action, suit or proceeding to which a Member, a Manager, a director of the Company, any officer of the Company, their respective affiliates, or any Specified Agent was or is a party or is threatened to be made a party by reason of the fact that such person is or was engaged in activities on behalf of the Company, including without limitation any action or proceeding brought under the Securities Act of 1933, as amended, against a Member, a Manager, a director of the Company, any officer of the Company, their respective affiliates, or any Specified Agent relating to the Company, the Company shall to the fullest extent permitted by law indemnify and hold harmless the Members, Manager, directors of the Company, officers of the

Company, their respective affiliates, and any such Specified Agents against losses, damages, expenses (including attorneys' fees), judgments and amounts paid in settlement actually and reasonably incurred by or in connection with such claim, action, suit or proceeding; provided, however, that none of the Members, Managers, directors of the Company, officers of the Company, their respective affiliates or any Specified Agent shall be indemnified for actions constituting bad faith, willful misconduct, or fraud. Any act or omission by any such Member, Manager, director, officer, or any such affiliate or Specified Agent, if done in reliance upon the opinion of independent legal counsel or public accountants selected with reasonable care by such Member, Manager, director, officer, or any such affiliate or Specified Agent, as applicable, shall not constitute bad faith, willful misconduct, or fraud on the part of such Member, Manager, director, officer, or any such affiliate or Specified Agent.

(c) *No Presumption.* The termination of any claim, action, suit or proceeding by judgment, order or settlement shall not, of itself, create a presumption that any act or failure to act by a Member, a Manager, a director of the Company, any officer of the Company, their respective affiliates or any Specified Agent constituted bad faith, willful misconduct or fraud under this Agreement.

(d) *Limitation on Indemnification.* Any such indemnification under this Section 14 shall be recoverable only out of the assets of the Company and not from the Members.

(e) *Reliance on the Agreement.* To the extent that, at law or in equity, a Member, Manager, director of the Company, officer of the Company or any Specified Agent has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any Member or other person bound by this Agreement, such Member, Manager, director, officer or any Specified Agent acting under this Agreement shall not be liable to the Company or to any Member or other person bound by this Agreement for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Member, Manager, director of the Company, officer of the Company or any Specified Agent otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Member, Manager, director or officer or any Specified Agent.

SECTION 15. Miscellaneous.

(a) *Certificate of Limited Liability Company Interest.* A Member's limited liability company interest may be evidenced by a certificate of limited liability company interest executed by the Manager or an officer in such form as the Manager may approve; provided that such certificate of limited liability company interest shall not bear a legend that causes such limited liability company interest to constitute a security under Article 8 (including Section 8-103) of the Uniform Commercial Code as enacted and in effect in the State of Delaware, or the corresponding statute of any other applicable jurisdiction.

(b) *Amendment.* The terms and provisions set forth in this Agreement may be amended, and compliance with any term or provision set forth herein may be waived, only by a written instrument executed by each Member. No failure or delay on the part of any Member in exercising any right, power or privilege granted hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege granted hereunder.

(c) *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the Members and their respective successors and assigns.

(d) *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to any conflicts of law principles that would require the application of the laws of any other jurisdiction.

(e) *Severability.* In the event that any provision contained in this Agreement shall be held to be invalid, illegal or unenforceable for any reason, the invalidity, illegality or unenforceability thereof shall not affect any other provision hereof.

(f) *Multiple Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(g) *Entire Agreement,* This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supercedes and replaces any prior or contemporaneous understandings.

(h) *Relationship between the Agreement and the Act.* Regardless of whether any provision of this Agreement specifically refers to particular Default Rules (as defined below), (i) if any provision of this Agreement conflicts with a Default Rule, the provision of this Agreement controls and the Default Rule is modified or negated accordingly, and (ii) if it is necessary to construe a Default Rule as modified or negated in order to effectuate any provision of this Agreement, the Default Rule is modified or negated accordingly. For purposes of this Section 15(i), "Default Rule" shall mean a rule stated in the Act which applies except to the extent it may be negated or modified through the provisions of a limited liability company's Limited Liability Company Agreement.

IN WITNESS WHEREOF, the party has caused this Agreement to be duly executed on the date first above written.

CC VII FIBERLINK, LLC, a Delaware limited liability company

By: ____________________
Name: Patricia M. Carroll
Title: Vice President

Accepting its appointment as the Company's Manager subject to the provisions of this Agreement:

CHARTER COMMUNICATIONS, INC., a Delaware corporation

By: ____________________
Name: Patricia M. Carroll
Title: Vice President

EXHIBIT A

Director

Thomas A. Cullen

EXHIBIT B

Member

CC VII Fiberlink, LLC	100%

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "CHARTER FIBERLINK AZ-CCVII, LLC", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF JANUARY, A.D. 2004, AT 10:41 O'CLOCK A.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3754392 8100

040038046

AUTHENTICATION: 2878208

State of Delaware
Secretary of State
Division of Corporations
Delivered 10:49 AM 01/20/2004
FILED 10:41 AM 01/20/2004
SRV 040038046 - 3754392 FILE

CERTIFICATE OF FORMATION

OF

CHARTER FIBERLINK AZ-CCVII, LLC

1. The name of the limited liability company is Charter Fiberlink AZ-CCVII, LLC.

2. The address of its registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of Charter Fiberlink AZ-CCVII, LLC this 9th day of January 2004.

Janeen G. Domagalski

Janeen G. Domagalski
Authorized Person

Charter Fiberlink AZ - CCVII, LLC

12405 POWERSCOURT DRIVE
ST. LOUIS, MISSOURI 63131-3674

COMPETITIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES TARIFF

This tariff contains the description, regulations and rates for the furnishing of services and facilities for telecommunications services provided by Charter Fiberlink AZ - CCVII, LLC with principal offices at Charter Fiberlink AZ - CCVII, LLC, 12405 Powerscourt Drive, St. Louis, Missouri 63131-3674. This tariff applies for service furnished within the State of Arizona. This tariff is on file with the Arizona Corporation Commission and copies may be inspected during normal business hours.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date indicated below.

Sheet	Revision	Sheet	Revision
1	Original	17	Original
2	Original	18	Original
3	Original	19	Original
4	Original	20	Original
5	Original	21	Original
6	Original	22	Original
7	Original	23	Original
8	Original	24	Original
9	Original	25	Original
10	Original	26	Original
11	Original	27	Original
12	Original	28	Original
13	Original		
14	Original		
15	Original		
16	Original		

* = New/Revised this issue

By: Carrie L. Cox
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By: Carrie L. Cox
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By: Carrie L. Cox
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SYMBOLS

The following are the only symbols used for the purposes indicated below:

(D) Delete or Discontinue
(I) Change Resulting in an Increase to a Customer's Bill
(M) Moved from Another Tariff Location
(N) New
(R) Change Resulting in a Reduction to a Customer's Bill
(T) Change in Text or Regulation but no Change in Rate or Charge

TARIFF FORMAT

A. **Sheet Numbering** - Page numbers appear in the upper right corner of the sheet. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between existing pages with whole numbers, a decimal is added. For example, a new page added between pages 34 and 35 would be page 34.1.

B. **Sheet Revision Numbering** - Revision numbers also appear in the upper right corner of the page. These numbers are used to determine the most current page version on file with the Commission. For example, 4th Revised Page 34 cancels the 3rd Revised Page 34. Consult the check sheet for the page currently in effect.

C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. **Check Sheet** - When a tariff is filed with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the tariff pages, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

**By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674**

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates and terms and conditions of service applicable to the furnishing of intrastate local exchange telecommunications services by Charter Fiberlink AZ - CCVII, LLC ("Company") to Customers within the State of Arizona.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
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12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Definitions

Busy Hour - The two consecutive half hours during which the greatest volume of traffic is handled.

Call - A completed connection between the Calling and Called parties.

Calling Station - The telephone number from which a Call originates.

Called Station - The telephone number called.

Carrier Customer – A carrier that orders exchange access or retail services from the Company.

Commission - The Arizona Corporation Commission.

Company or Carrier – Charter Fiberlink AZ - CCVII, LLC, unless specifically stated otherwise.

Customer – A person, firm, corporation, partnership or other entity, in whose name the telephone number of the Calling Station is registered with the underlying local exchange company. The Customer is responsible for payment of charges to the Company and compliance with all terms and conditions of this tariff.

Day - The period of time from 8:00 a.m. to (but not including) 5:00 p.m., Monday through Friday, as measured by local time at the location from which the Call is originated.

Disconnect - To render inoperable or to disable circuitry thus preventing outgoing and incoming communications service.

DS1 – Digital Signal, level 1. Capable of transmitting data at 1.544 Mbps.

DS3 – Digital Signal, level 3. Capable of transmitting data at 44.736 Mbps.

Evening - The period of time from 5:00 p.m. to (but not including) 11:00 p.m., Sunday through Friday and any time during a Holiday, as measured by local time at the location from which the Call is originated.

Gbps – One thousand million bits per second.

Incomplete - Any Call where voice transmission between the Calling and Called station is not established.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

1.1 Definitions (Cont'd)

Holiday - For the purposes of this tariff recognized holidays are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Mbps – One million bits per second.

Message - A completed telephone call by a Customer or User.

Normal Business Hours – The hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays.

OC3 – Optical Carrier, level 3. A SONET channel capable of transmitting data at 155.52 Mbps.

OC12 – Optical Carrier, level 12. A SONET channel capable of transmitting data at 622.08 Mbps.

OC48 – Optical Carrier, level 48. A SONET channel capable of transmitting data at 2.488 Gbps.

Premises – The space occupied by an individual Customer in a building, in adjoining buildings occupied entirely by that Customer, or on contiguous property occupied by the Customer separated only by a public thoroughfare, a railroad right of way, or a natural barrier.

Rate – Money, charge, fee or other recurring assessment billed to Customers for services or equipment.

State – Arizona.

Terminal Equipment - Telephone instruments, including pay telephone equipment, the common equipment of large and small key and PBX systems and other devices and apparatus, and associated wiring, which are intended to be connected electrically, acoustically, or inductively to the telecommunication system.

User or End User – Customer or any authorized person or entity that utilizes the Company's services.

SECTION 1 – TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

1.2 Abbreviations

CLEC – Competitive Local Exchange Carrier

CO – Central Office

CPE – Customer Premises Equipment

DS1 – Digital Signal, Level 1

DS3 – Digital Signal, Level 3

ILEC – Incumbent Local Exchange Carrier

NPA – Numbering Plan Area (Area Code)

OC3 – Optical Carrier, Level 3

OC12 – Optical Carrier, Level 12

OC48 – Optical Carrier, Level 48

PBX – Private Branch Exchange

PIC – Primary or Preferred Interexchange Carrier

POP – Point of Presence

V&H - Vertical and Horizontal Coordinates

By: Carrie L. Cox
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SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 The Company provides telecommunications services to business and carrier Customers.

2.1.2 The Company installs, operates and maintains the communications services provided herein in accordance with the terms and conditions set forth in this tariff. When authorized by the Customer, the Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities to allow connection of a Customer's location to the Company's network. The Customer shall be responsible for all charges due for such service arrangements.

2.1.3 The Company's services are provided on a monthly basis, unless otherwise stated in this tariff. Services are available twenty-four (24) hours per day, seven (7) days per week.

2.2 Limitations of Service

2.2.1 Service is offered subject to the availability of facilities and provisions of this tariff.

2.2.2 Service is furnished to the User for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other Users.

2.2.3 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 The Company's services may be denied for nonpayment of charges or for other violations of the terms and conditions set forth in this tariff.

2.2.5 The use of the Company's services to make Calls which might reasonably be expected to frighten, abuse, torment, or harass another is prohibited.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Limitations of Service (Cont'd)

2.2.6 Service temporarily may be refused or limited because of system capacity limitations.

2.2.7 Service is subject to transmission limitations caused by natural (including atmospheric, geographic or topographic) or artificial conditions adversely affecting transmission.

2.2.8 Service to any or all Customers may be temporarily interrupted or curtailed due to equipment modifications, upgrades, relocations, repairs and similar activities necessary for proper or improved operations.

2.2.9 The Company reserves the right to discontinue furnishing service where the Customer is using the service in violation of the law or the provisions of this tariff.

2.3 Limitations of Liability

2.3.1 Because the Company has no control of communications content transmitted over its system, and because of the possibility of errors incident to the provision and use of its service, service furnished by the Company is subject to the terms, conditions and limitations herein specified.

2.3.2 The Company is not liable to Users for interruptions in service except as set forth in Section 2.5 of this tariff.

2.3.3 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited, unless otherwise ordered by the Commission, to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.4 The Company shall not be liable for and the User shall indemnify and hold the Company harmless against any claims for loss or damages involving:

2.3.4.A Any act or omission of: (i) the User; or (ii) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company;

2.3.4.B Interruptions or delays in transmission, or errors or defects in transmission, or failure to transmit when caused by or as a result of acts of God, fire, flood or other catastrophes, war, riots, national emergencies, government or military authorities, strikes, lock-outs, work stoppages or other labor difficulties, or causes beyond the Company's control;

2.3.4.C Any unlawful or unauthorized use of the Company's facilities and services;

2.3.4.D Libel, slander or infringement of copyright arising directly or indirectly from content transmitted over facilities provided by the Company;

2.3.4.E Infringement of patents arising from combining apparatus and systems of the User with facilities provided by the Company;

2.3.4.F Claims arising out of any act or omission of the User in connection with service provided by the Company.

2.3.4.G Breach in the privacy or security of communications transmitted over the Company's facilities;

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.4 (Cont'd)

2.3.4.H Changes in any of the facilities, operations or procedures of the Company that: (1) render any equipment, facilities or services provided or utilized by the User obsolete; (2) require modification or alteration of such equipment, facilities or services; or (3) otherwise affect use or performance of such equipment, facilities or services except where reasonable notice is required by the Company and is not provided to the Customer.

2.3.4.I Defacement of or damage to the Customer's Premises or personal property resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement is caused by negligence or the willful misconduct of the Company's agents or employees.

2.3.4.J Any wrongful act of a Company employee where such act is not authorized by the Company and is not within the scope of the employee's responsibilities for the Company;

2.3.4.K Any noncompleted calls due to network busy conditions; and

2.3.4.L Any calls not actually attempted to be completed during any period that service is unavailable.

2.3.5 The User shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in its defense against claims set forth in Section 2.3.4.

2.3.6 The Company assumes no responsibility for the availability or performance of any facilities under the control of other entities that are used to provide service to the User, even if the Company has acted as the User's agent in arranging for such facilities or services.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.7 Any claim against the Company shall be deemed waived unless presented in writing to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

2.3.8 With respect to the services provided pursuant to this tariff, the Company makes no representations or warranties, express or implied, either in fact or by operation of law, statutory or otherwise, including, but not limited to, warranties of title or implied warranties of merchantability or fitness for a particular purpose, except those expressly set forth in this tariff. The Company does not authorize anyone to make a warranty or representation of any kind on its behalf and the User should not rely on any such statement.

2.3.9 Any liability of the Company for loss or damages arising out of mistakes, omissions, interruptions, delays, errors or defects in the service, the transmission of the service, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service shall in no event exceed an amount equivalent to the proportionate fixed monthly charge to the Customer for service, during the period of time in which such mistakes, omissions, interruptions, delays, errors or defects in the service, its transmission or failure or defect in facilities furnished by the Company occurred.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders, complying with tariff regulations and ensuring that Users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another User. The Customer also is responsible for the payment of charges for all Calls originated at the Customer's numbers which are not collect, third party, calling card, or credit card Calls.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Responsibilities of the Customer (Cont'd)

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

2.4.3 If required for the provisioning of the Company's services, the Customer must provide the Company, free of charge, with any necessary equipment space, supporting structure, conduit and electrical power.

2.4.4 The Customer is responsible for arranging access to its Premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

2.4.5 The Customer must pay the Company for replacement or repair of damage to the Company's equipment or facilities caused by negligent or improper use on the part of the Customer, Users, or others.

2.4.6 The Customer must indemnify the Company for the theft of any Company equipment or facilities installed at the Customer's Premises.

2.4.7 The Customer agrees, except where the events, incidents or eventualities set forth in this sentence are the result of the Company's gross negligence or willful misconduct, to release, indemnify and hold harmless the Company against any and all loss, claims, demands, suits or other action or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss of or damage to any property, whether owned by the Customer or others. The Customer shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in its defense against such actions.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Allowances for Interruptions in Service

2.5.1 General

2.5.1.A A service is interrupted when it becomes unusable to the User, *e.g.*, the User is unable to transmit or receive communications due to the failure of a component furnished by the Company under this tariff.

2.5.1.B An interruption period begins when the User reports a service, facility or circuit to be inoperative and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

2.5.1.C If the User reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service facility or circuit considered by the Company to be impaired.

2.5.2 Application of Credits for Interrupted Services

2.5.2.A At the Customer's request, a credit allowance for a continuous interruption of service for more than twenty-four (24) hours will be made in an amount to be determined by the Company on a case-by-case basis.

2.5.2.B Any such interruption will be measured from the time it is reported to or detected by the Company, whichever occurs first.

2.5.2.C In the event the User is affected by such interruption for a period of less than twenty-four (24) hours, no adjustment will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

2.5.2.D When an interruption exceeds twenty-four (24) hours, the length of the interruption will be measured in twenty-four (24) hour days. A fraction of a day consisting of less than twelve (12) hours will not be credited and a period of twelve (12) hours or more will be considered an additional day.

SECTION 2 - **RULES AND REGULATIONS** (Cont'd)

2.5 Allowances for Interruptions in Service (Cont'd)

2.5.3 Limitations on Allowances

2.5.3.A No credit allowance will be made for any interruption of service:

2.5.3.A.1 due to the negligence of, or noncompliance with the provisions of this tariff by, any person or entity other than the Company, including but not limited to the Customer or other entities or carriers connected to the service of the Company;

2.5.3.A.2 due to the failure of power, equipment, systems or services not provided by the Company;

2.5.3.A.3 due to circumstances or causes beyond the control of the Company;

2.5.3.A.4 during any period in which the Company is not given full and free access to the Customer's or Company's facilities and equipment for the purpose of investigating and correcting the interruption;

2.5.3.A.5 during any period in which the User continues to use the service on an impaired basis;

2.5.3.A.6 during any period in which the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

2.5.3.A.7 that occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and

2.5.3.A.8 that was not reported to the Company within thirty (30) days of the date that service was affected.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6 Termination of Service

2.6.1 A Customer may terminate service, with or without cause, by giving the Company notice either verbally or in writing. If the Company has a term contract, early termination charges may apply. The Company may terminate service with cause by giving the Customer five (5) business days' written notice. The Company may terminate service without notice in the event of the Customer maintaining and/or operating its own equipment in a manner that may cause imminent harm to the Company's equipment.

2.6.2 The Customer is responsible for all charges incurred to the Calling Station regardless of which party terminates the service. The Customer shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in collecting such charges.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.7 Payment of Charges

2.7.1 The Customer is responsible for payment of all charges for service furnished to the User.

2.7.2 The Company reserves the right to assess late payment charges for Customers whose account(s) carries principal owing from the prior billing period. Any charges not paid in full by the due date indicated on the billing statement may be subject to a late fee of 1.5% per month.

2.7.3 Recurring monthly charges may be invoiced one month in advance. Invoicing cycles are approximately 30 days in length.

2.7.4 Customers must notify the Company either verbally or in writing of any disputed charges within thirty (30) days of the billing date, otherwise all charges on the invoice will be deemed accepted. All charges remain due and payable at the due date, although a Customer is not required to pay disputed charges while the Company conducts its investigation into the matter.

2.8 Deposits

The Company may, in some instances, require deposits from Customers. Any such cash deposit received by the Company will bear simple interest at a rate of 7% per annum. Deposits will not exceed two and a half times (2.5x) the estimated monthly charge for service.

2.9. Advance Payments

The Company may require advance payments from Customers for the following services:

(1) The construction of facilities and furnishing of special equipment; or

(2) Temporary service for short-term use.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.10 Contested Charges

All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company no more than thirty (30) days after such bills are rendered. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.10.1 First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.10.2 Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the Arizona Corporation Commission. The address of the Commission is:

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927
602-542-3477

2.11 Taxes

State and local sales, use and similar taxes or regulatory fees and assessments are billed as separate items and are not included in the quoted rates for service.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.12 Contract Service Arrangements

At the option of the Company, services may be offered on a contract basis to meet specialized requirements of the Customer not contemplated in this tariff. The terms of each contract shall be mutually agreed upon between the Customer and the Company and may include discounts off of rates contained herein, waiver of recurring or nonrecurring charges, charges for specially designed and constructed services not contained in the Company's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features.

2.13 Special Construction

At its option, the Company may provide Customers, upon request, special construction of facilities or services on an individual case basis ("ICB") at rates other than as set forth herein. Special construction or ICB is construction undertaken:

2.13.1 where facilities are not presently available, and there is no other provision hereunder for the facilities to be constructed;

2.13.2 where facilities other than those which the Company provides are requested by the Customer;

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.13 Special Construction (Cont'd)

2.13.3 where facilities are requested by the Customer over a route other than that which the Company serves;

2.13.4 when services are requested in a quantity greater than that which the Company would normally provide to a Customer;

2.13.5 when services are requested by a Customer on an expedited basis;

2.13.6 when services or facilities are requested on a temporary basis until such services or permanent facilities are available.

The charges for special construction or ICB (i) are subject to individual negotiation between the Company and the Customer, (ii) will be based upon the Company's actually incurred labor, material and other costs, and (iii) may include without limitation recurring, non-recurring, and early termination charges.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Timing of Calls

3.1.1 The Customer's monthly usage charges for the Company's services are based upon the total number of minutes the Customer uses and the service options to which the Customer subscribes. Chargeable time begins at the time a connection is established (*i.e.* when two-way communications is possible), and ends when a party terminates the connection.

3.1.2 No charges apply if a connection is not completed.

3.1.3 For billing purposes, all Calls are rounded up to the nearest minute and billed in increments of one minute. The minimum Call duration is 1 minute for a connected Call.

3.1.4 Where applicable, charges will be rounded up to the nearest penny.

3.1.5 Usage begins when a connection is established (*i.e.* when two-way communication is possible). A Call is terminated when the calling or called party terminates the connection.

3.2 Start of Billing

For billing purposes, the start of service is the day following acceptance by the Customer of the Company's service or equipment. The end of service date is the last day after receipt by the Company of notification of cancellation as described in Section 2.6.1 of this tariff.

SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.3 Calculation of Distance

3.3.1 Where applicable, usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the Call.

3.3.2 Where applicable, the airline mileage between rate centers is determined by applying a formula to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in their NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

3.4 Minimum Call Completion Rate

The Customer can expect a call completion rate of at least 97% per 100 Calls attempted during peak use periods for all services.

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SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.5 Service Offerings

The Company offers local exchange telecommunications services. The Customer's total monthly use of the Company's service is charged at the applicable rates per minute set forth herein, in addition to any monthly service charges. None of the service offerings are time-of-day sensitive.

3.5.1 Leased Line Service

A leased line is a private, dedicated point-to-point connection between a Company POP and another point on the Company's fiber-optic network specified by the Customer. Leased line service is provided to Customers on a statewide basis, based upon the location of the Company's facilities, with transmission speeds of either DS1 (1.5444 Mbps), DS3 (44.736 Mbps), OC3 (155,52 Mbps), OC12 (622.08 Mbps) and OC48 (2,488.32 Mbps). A local access line may be necessary to connect the Customer network or premise with the Company POP. This local access line may be provided to the Customer by the Customer's local exchange carrier.

3.6 Miscellaneous Services

3.6.1 Order Change

An Order Change is a change in the Customer's service requested subsequent to installation.

3.6.2 Bad Check Charge

If payment for Service is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer a returned check charge. In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as cashier's check, certified check or money order.

3.6.3 Reconnection

Reconnection charges occur where service to an existing Customer has been discontinued for proper cause, and the Customer desires to resume service with the Company. Where a Customer desires reconnection, the Customer will be charged a fee to cover the cost to the Company of restoring service to the Customer.

SECTION 4 - RATES AND CHARGES

4.1 Leased Line Service

4.1.1 Nonrecurring Charges

Transmission Speed	Installation
DS1	ICB
DS3	ICB
OC3	ICB
OC12	ICB
OC48	ICB

Note: The foregoing rates represent a one time installation charge associated with the Service.

4.1.2 Recurring Charges

Transmission	Duration of Contract (in months)		
Speed	12	36	60
DS1	ICB	ICB	ICB
DS3	ICB	ICB	ICB
OC3	ICB	ICB	ICB
OC12	ICB	ICB	ICB
OC48	ICB	ICB	ICB

Note: The foregoing monthly rates are per DS0 mile, based on V&H coordinates; local access charges may apply.

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SECTION 4 - RATES AND CHARGES (Cont'd)

4.2 Promotions

From time to time, the Company may offer services or waive or vary service rates for promotional, market research or other similar business purposes. The Company will provide thirty (30) days prior notice to the Commission of all promotional offerings.

4.3 Bad Check Charge

If payment for Service is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer twenty-five dollars ($25.00). In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as a cashier's check, certified check or money order.

4.4 Order Charge

An Order Charge is a charge of forty dollars ($40.00) for a change in the customer's service requested subsequent to installation.

4.5 Reconnect Charge

If service has been discontinued for proper cause, the Company will charge a fee of twenty-five dollars ($25.00) to defray the cost of restoring service to the Customer.

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INTEREXCHANGE TELECOMMUNICATIONS SERVICES TARIFF

This tariff contains the description, regulations and rates for the furnishing of services and facilities for telecommunications services provided by Charter Fiberlink AZ - CCVII, LLC with principal offices at Charter Communications, 12405 Powerscourt Drive, St. Louis, Missouri 63131-3674. This tariff applies for service furnished within the State of Arizona. This tariff is on file with the Arizona Corporation Commission and copies may be inspected during normal business hours.

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CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date indicated below.

Sheet	Revision	Sheet	Revision
1	Original	17	Original
2	Original	18	Original
3	Original	19	Original
4	Original	20	Original
5	Original	21	Original
6	Original	22	Original
7	Original	23	Original
8	Original	24	Original
9	Original	25	Original
10	Original	26	Original
11	Original	27	Original
12	Original	28	Original
13	Original		
14	Original		
15	Original		
16	Original		

* New/Revised this issue

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SYMBOLS

The following are the only symbols used for the purposes indicated below:

(D) Delete or Discontinue
(I) Change Resulting in an Increase to a Customer's Bill
(M) Moved from Another Tariff Location
(N) New
(R) Change Resulting in a Reduction to a Customer's Bill
(T) Change in Text or Regulation but no Change in Rate or Charge

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TARIFF FORMAT

A. **Sheet Numbering** - Page numbers appear in the upper right corner of the sheet. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between existing pages with whole numbers, a decimal is added. For example, a new page added between pages 34 and 35 would be page 34.1.

B. **Sheet Revision Numbering** - Revision numbers also appear in the upper right corner of the page. These numbers are used to determine the most current page version on file with the Commission. For example, 4th Revised Page 34 cancels the 3rd Revised Page 34. Consult the check sheet for the page currently in effect.

C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. **Check Sheet** - When a tariff is filed with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the tariff pages, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

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APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates and terms and conditions of service applicable to the furnishing of intrastate interexchange telecommunications services by Charter Fiberlink AZ - CCVII, LLC ("Company") to Customers within the State of Arizona.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Definitions

Busy Hour - The two consecutive half hours during which the greatest volume of traffic is handled.

Call - A completed connection between the Calling and Called parties.

Calling Station - The telephone number from which a Call originates.

Called Station - The telephone number called.

Carrier Customer – A carrier that orders exchange access or retail services from the Company.

Commission - The Arizona Corporation Commission.

Company or Carrier – Charter Fiberlink AZ - CCVII, LLC, unless specifically stated otherwise.

Customer – A person, firm, corporation, partnership or other entity, in whose name the telephone number of the Calling Station is registered with the underlying local exchange company. The Customer is responsible for payment of charges to the Company and compliance with all terms and conditions of this tariff.

Day - The period of time from 8:00 a.m. to (but not including) 5:00 p.m., Monday through Friday, as measured by local time at the location from which the Call is originated.

Disconnect - To render inoperable or to disable circuitry thus preventing outgoing and incoming communications service.

DS1 – Digital Signal, level 1. Capable of transmitting data at 1.544 Mbps.

DS3 – Digital Signal, level 3. Capable of transmitting data at 44.736 Mbps.

Evening - The period of time from 5:00 p.m. to (but not including) 11:00 p.m., Sunday through Friday and any time during a Holiday, as measured by local time at the location from which the Call is originated.

Gbps – One thousand million bits per second.

Incomplete - Any Call where voice transmission between the Calling and Called station is not established.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

1.1 Definitions (Cont'd)

Holiday - For the purposes of this tariff recognized holidays are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Mbps – One million bits per second.

Message - A completed telephone call by a Customer or User.

Normal Business Hours – The hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays.

OC3 – Optical Carrier, level 3. A SONET channel capable of transmitting data at 155.52 Mbps.

OC12 – Optical Carrier, level 12. A SONET channel capable of transmitting data at 622.08 Mbps.

OC48 – Optical Carrier, level 48. A SONET channel capable of transmitting data at 2.488 Gbps.

Premises – The space occupied by an individual Customer in a building, in adjoining buildings occupied entirely by that Customer, or on contiguous property occupied by the Customer separated only by a public thoroughfare, a railroad right of way, or a natural barrier.

Rate – Money, charge, fee or other recurring assessment billed to Customers for services or equipment.

State – Arizona.

Terminal Equipment - Telephone instruments, including pay telephone equipment, the common equipment of large and small key and PBX systems and other devices and apparatus, and associated wiring, which are intended to be connected electrically, acoustically, or inductively to the telecommunication system.

User or End User – Customer or any authorized person or entity that utilizes the Company's services.

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SECTION 1 – TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

1.2 Abbreviations

CLEC – Competitive Local Exchange Carrier

CO – Central Office

CPE – Customer Premises Equipment

DS1 – Digital Signal, Level 1

DS3 – Digital Signal, Level 3

ILEC – Incumbent Local Exchange Carrier

NPA – Numbering Plan Area (Area Code)

OC3 – Optical Carrier, Level 3

OC12 – Optical Carrier, Level 12

OC48 – Optical Carrier, Level 48

PBX – Private Branch Exchange

PIC – Primary or Preferred Interexchange Carrier

POP – Point of Presence

V&H - Vertical and Horizontal Coordinates

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SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 The Company provides telecommunications services to business and carrier Customers.

2.1.2 The Company installs, operates and maintains the communications services provided herein in accordance with the terms and conditions set forth in this tariff. When authorized by the Customer, the Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities to allow connection of a Customer's location to the Company's network. The Customer shall be responsible for all charges due for such service arrangements.

2.1.3 The Company's services are provided on a monthly basis, unless otherwise stated in this tariff. Services are available twenty-four (24) hours per day, seven (7) days per week.

2.2 Limitations of Service

2.2.1 Service is offered subject to the availability of facilities and provisions of this tariff.

2.2.2 Service is furnished to the User for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other Users.

2.2.3 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 The Company's services may be denied for nonpayment of charges or for other violations of the terms and conditions set forth in this tariff.

2.2.5 The use of the Company's services to make Calls which might reasonably be expected to frighten, abuse, torment, or harass another is prohibited.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Limitations of Service (Cont'd)

2.26 Service temporarily may be refused or limited because of system capacity limitations.

2.27 Service is subject to transmission limitations caused by natural (including atmospheric, geographic or topographic) or artificial conditions adversely affecting transmission.

2.28 Service to any or all Customers may be temporarily interrupted or curtailed due to equipment modifications, upgrades, relocations, repairs and similar activities necessary for proper or improved operations.

2.29 The Company reserves the right to discontinue furnishing service where the Customer is using the service in violation of the law or the provisions of this tariff.

2.3 Limitations of Liability

2.3.1 Because the Company has no control of communications content transmitted over its system, and because of the possibility of errors incident to the provision and use of its service, service furnished by the Company is subject to the terms, conditions and limitations herein specified.

2.3.2 The Company is not liable to Users for interruptions in service except as set forth in Section 2.5 of this tariff.

2.3.3 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited, unless otherwise ordered by the Commission, to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.4 The Company shall not be liable for and the User shall indemnify and hold the Company harmless against any claims for loss or damages involving:

2.3.4.A Any act or omission of: (i) the User; or (ii) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company;

2.3.4.B Interruptions or delays in transmission, or errors or defects in transmission, or failure to transmit when caused by or as a result of acts of God, fire, flood or other catastrophes, war, riots, national emergencies, government or military authorities, strikes, lock-outs, work stoppages or other labor difficulties, or causes beyond the Company's control;

2.3.4.C Any unlawful or unauthorized use of the Company's facilities and services;

2.3.4.D Libel, slander or infringement of copyright arising directly or indirectly from content transmitted over facilities provided by the Company;

2.3.4.E Infringement of patents arising from combining apparatus and systems of the User with facilities provided by the Company;

2.3.4.F Claims arising out of any act or omission of the User in connection with service provided by the Company.

2.3.4.G Breach in the privacy or security of communications transmitted over the Company's facilities;

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.4 (Cont'd)

2.3.4.H Changes in any of the facilities, operations or procedures of the Company that: (1) render any equipment, facilities or services provided or utilized by the User obsolete; (2) require modification or alteration of such equipment, facilities or services; or (3) otherwise affect use or performance of such equipment, facilities or services except where reasonable notice is required by the Company and is not provided to the Customer.

2.3.4.I Defacement of or damage to the Customer's Premises or personal property resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement is caused by negligence or the willful misconduct of the Company's agents or employees.

2.3.4.J Any wrongful act of a Company employee where such act is not authorized by the Company and is not within the scope of the employee's responsibilities for the Company;

2.3.4.K Any noncompleted calls due to network busy conditions; and

2.3.4.L Any calls not actually attempted to be completed during any period that service is unavailable.

2.3.5 The User shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in its defense against claims set forth in Section 2.3.4.

2.3.6 The Company assumes no responsibility for the availability or performance of any facilities under the control of other entities that are used to provide service to the User, even if the Company has acted as the User's agent in arranging for such facilities or services.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.7 Any claim against the Company shall be deemed waived unless presented in writing to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

2.3.8 With respect to the services provided pursuant to this tariff, the Company makes no representations or warranties, express or implied, either in fact or by operation of law, statutory or otherwise, including, but not limited to, warranties of title or implied warranties of merchantability or fitness for a particular purpose, except those expressly set forth in this tariff. The Company does not authorize anyone to make a warranty or representation of any kind on its behalf and the User should not rely on any such statement.

2.3.9 Any liability of the Company for loss or damages arising out of mistakes, omissions, interruptions, delays, errors or defects in the service, the transmission of the service, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service shall in no event exceed an amount equivalent to the proportionate fixed monthly charge to the Customer for service, during the period of time in which such mistakes, omissions, interruptions, delays, errors or defects in the service, its transmission or failure or defect in facilities furnished by the Company occurred.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders, complying with tariff regulations and ensuring that Users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another User. The Customer also is responsible for the payment of charges for all Calls originated at the Customer's numbers which are not collect, third party, calling card, or credit card Calls.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Responsibilities of the Customer (Cont'd)

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

2.4.3 If required for the provisioning of the Company's services, the Customer must provide the Company, free of charge, with any necessary equipment space, supporting structure, conduit and electrical power.

2.4.4 The Customer is responsible for arranging access to its Premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

2.4.5 The Customer must pay the Company for replacement or repair of damage to the Company's equipment or facilities caused by negligent or improper use on the part of the Customer, Users, or others.

2.4.6 The Customer must indemnify the Company for the theft of any Company equipment or facilities installed at the Customer's Premises.

2.4.7 The Customer agrees, except where the events, incidents or eventualities set forth in this sentence are the result of the Company's gross negligence or willful misconduct, to release, indemnify and hold harmless the Company against any and all loss, claims, demands, suits or other action or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss of or damage to any property, whether owned by the Customer or others. The Customer shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in its defense against such actions.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Allowances for Interruptions in Service

2.5.1 General

2.5.1.A A service is interrupted when it becomes unusable to the User, *e.g.*, the User is unable to transmit or receive communications due to the failure of a component furnished by the Company under this tariff.

2.5.1.B An interruption period begins when the User reports a service, facility or circuit to be inoperative and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

2.5.1.C If the User reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service facility or circuit considered by the Company to be impaired.

2.5.2 Application of Credits for Interrupted Services

2.5.2.A At the Customer's request, a credit allowance for a continuous interruption of service for more than twenty-four (24) hours will be made in an amount to be determined by the Company on a case-by-case basis.

2.5.2.B Any such interruption will be measured from the time it is reported to or detected by the Company, whichever occurs first.

2.5.2.C In the event the User is affected by such interruption for a period of less than twenty-four (24) hours, no adjustment will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

2.5.2.D When an interruption exceeds twenty-four (24) hours, the length of the interruption will be measured in twenty-four (24) hour days. A fraction of a day consisting of less than twelve (12) hours will not be credited and a period of twelve (12) hours or more will be considered an additional day.

By: Carrie L. Cox
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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Allowances for Interruptions in Service (Cont'd)

2.5.3 Limitations on Allowances

2.5.3.A No credit allowance will be made for any interruption of service:

2.5.3.A.1 due to the negligence of, or noncompliance with the provisions of this tariff by, any person or entity other than the Company, including but not limited to the Customer or other entities or carriers connected to the service of the Company;

2.5.3.A.2 due to the failure of power, equipment, systems or services not provided by the Company;

2.5.3.A.3 due to circumstances or causes beyond the control of the Company;

2.5.3.A.4 during any period in which the Company is not given full and free access to the Customer's or Company's facilities and equipment for the purpose of investigating and correcting the interruption;

2.5.3.A.5 during any period in which the User continues to use the service on an impaired basis;

2.5.3.A.6 during any period in which the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

2.5.3.A.7 that occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and

2.5.3.A.8 that was not reported to the Company within thirty (30) days of the date that service was affected.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6 Termination of Service

2.6.1 A Customer may terminate service, with or without cause, by giving the Company notice either verbally or in writing. If the Company has a term contract, early termination charges may apply. The Company may terminate service with cause by giving the Customer five (5) business days' written notice. The Company may terminate service without notice in the event of the Customer maintaining and/or operating its own equipment in a manner that may cause imminent harm to the Company's equipment.

2.6.2 The Customer is responsible for all charges incurred to the Calling Station regardless of which party terminates the service. The Customer shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in collecting such charges.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.7 Payment of Charges

2.7.1 The Customer is responsible for payment of all charges for service furnished to the User.

2.7.2 The Company reserves the right to assess late payment charges for Customers whose account(s) carries principal owing from the prior billing period. Any charges not paid in full by the due date indicated on the billing statement may be subject to a late fee of 1.5% per month.

2.7.3 Recurring monthly charges may be invoiced one month in advance. Invoicing cycles are approximately 30 days in length.

2.7.4 Customers must notify the Company either verbally or in writing of any disputed charges within thirty (30) days of the billing date, otherwise all charges on the invoice will be deemed accepted. All charges remain due and payable at the due date, although a Customer is not required to pay disputed charges while the Company conducts its investigation into the matter.

2.8 Deposits

The Company may, in some instances, require deposits from Customers. Any such cash deposit received by the Company will bear simple interest at a rate of 7% per annum. Deposits will not exceed two and a half times (2.5x) the estimated monthly charge for service.

2.9 Advance Payments

The Company may require advance payments from Customers for the following services:

(1) The construction of facilities and furnishing of special equipment; or

(2) Temporary service for short-term use.

The aggregate amount of any Advance Payment and Deposit required pursuant to Sections 2.8 and 2.9 of this Tariff will not exceed two and one half times the estimated monthly charge to Customer for service.

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.10 Contested Charges

All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company no more than thirty (30) days after such bills are rendered. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.10.1 First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.10.2 Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the Arizona Corporation Commission. The address of the Commission is:

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927
602-542-3477

2.11 Taxes

State and local sales, use and similar taxes or regulatory fees and assessments are billed as separate items and are not included in the quoted rates for service.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.12 Contract Service Arrangements

At the option of the Company, services may be offered on a contract basis to meet specialized requirements of the Customer not contemplated in this tariff. The terms of each contract shall be mutually agreed upon between the Customer and the Company and may include discounts off of rates contained herein, waiver of recurring or nonrecurring charges, charges for specially designed and constructed services not contained in the Company's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features.

2.13 Special Construction

At its option, the Company may provide Customers, upon request, special construction of facilities or services on an individual case basis ("ICB") at rates other than as set forth herein. Special construction or ICB is construction undertaken:

2.13.1 where facilities are not presently available, and there is no other provision hereunder for the facilities to be constructed;

2.13.2 where facilities other than those which the Company provides are requested by the Customer;

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.13 Special Construction (Cont'd)

2.13.3 where facilities are requested by the Customer over a route other than that which the Company serves;

2.13.4 when services are requested in a quantity greater than that which the Company would normally provide to a Customer;

2.13.5 when services are requested by a Customer on an expedited basis;

2.13.6 when services or facilities are requested on a temporary basis until such services or permanent facilities are available.

The charges for special construction or ICB (i) are subject to individual negotiation between the Company and the Customer, (ii) will be based upon the Company's actually incurred labor, material and other costs, and (iii) may include without limitation recurring, non-recurring, and early termination charges.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Timing of Calls

3.1.1 The Customer's monthly usage charges for the Company's services are based upon the total number of minutes the Customer uses and the service options to which the Customer subscribes. Chargeable time begins at the time a connection is established (*i.e.* when two-way communications is possible), and ends when a party terminates the connection.

3.1.2 No charges apply if a connection is not completed.

3.1.3 For billing purposes, all Calls are rounded up to the nearest minute and billed in increments of one minute. The minimum Call duration is 1 minute for a connected Call.

3.1.4 Where applicable, charges will be rounded up to the nearest penny.

3.1.5 Usage begins when a connection is established (*i.e.* when two-way communication is possible). A Call is terminated when the calling or called party terminates the connection.

3.2 Start of Billing

For billing purposes, the start of service is the day following acceptance by the Customer of the Company's service or equipment. The end of service date is the last day after receipt by the Company of notification of cancellation as described in Section 2.6.1 of this tariff.

SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.3 Calculation of Distance

3.3.1 Where applicable, usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the Call.

3.3.2 Where applicable, the airline mileage between rate centers is determined by applying a formula to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in their NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

3.4 Minimum Call Completion Rate

The Customer can expect a call completion rate of at least 97% per 100 Calls attempted during peak use periods for all services.

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SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.5 Service Offerings

The Company offers interexchange telecommunications services. The Customer's total monthly use of the Company's service is charged at the applicable rates per minute set forth herein, in addition to any monthly service charges. None of the service offerings are time-of-day sensitive.

3.5.1 Leased Line Service

A leased line is a private, dedicated point-to-point connection between a Company POP and another point on the Company's fiber-optic network specified by the Customer. Leased line service is provided to Customers on a statewide basis, based upon the location of the Company's facilities, with transmission speeds of either DS1 (1.5444 Mbps), DS3 (44.736 Mbps), OC3 (155,52 Mbps), OC12 (622.08 Mbps) and OC48 (2,488.32 Mbps). A local access line may be necessary to connect the Customer network or premise with the Company POP. This local access line may be provided to the Customer by the Customer's local exchange carrier.

3.6 Miscellaneous Services

3.6.1 Order Change

An Order Change is a change in the Customer's service requested subsequent to installation.

3.6.2 Bad Check Charge

If payment for Service is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer a returned check charge. In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as cashier's check, certified check or money order.

3.6.3 Reconnection

Reconnection charges occur where service to an existing Customer has been discontinued for proper cause, and the Customer desires to resume service with the Company. Where a Customer desires reconnection, the Customer will be charged a fee to cover the cost to the Company of restoring service to the Customer.

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SECTION 4 - RATES AND CHARGES

4.1 Leased Line Service

4.1.1 Nonrecurring Charges

Transmission Speed	Installation
DS1	ICB
DS3	ICB
OC3	ICB
OC12	ICB
OC48	ICB

Note: The foregoing rates represent a one time installation charge associated with the Service.

4.1.2 Recurring Charges

Transmission Speed	Duration of Contract (in months) 12	36	60
DS1	ICB	ICB	ICB
DS3	ICB	ICB	ICB
OC3	ICB	ICB	ICB
OC12	ICB	ICB	ICB
OC48	ICB	ICB	ICB

Note: The foregoing monthly rates are per DS0 mile, based on V&H coordinates; local access charges may apply.

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SECTION 4 - RATES AND CHARGES (Cont'd)

4.2 Promotions

From time to time, the Company may offer services or waive or vary service rates for promotional , market research or other similar business purposes. The Company will provide thirty (30) days prior notice to the Commission of all promotional offerings.

4.3 Bad Check Charge

If payment for Service is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer twenty-five dollars ($25.00). In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as a cashier's check, certified check or money order.

4.4 Order Charge

An Order Charge is a charge of forty dollars ($40.00) for a change in the customer's service requested subsequent to installation.

4.5 Reconnect Charge

If service has been discontinued for proper cause, the Company will charge a fee of twenty-five dollars ($25.00) to defray the cost of restoring service to the Customer.

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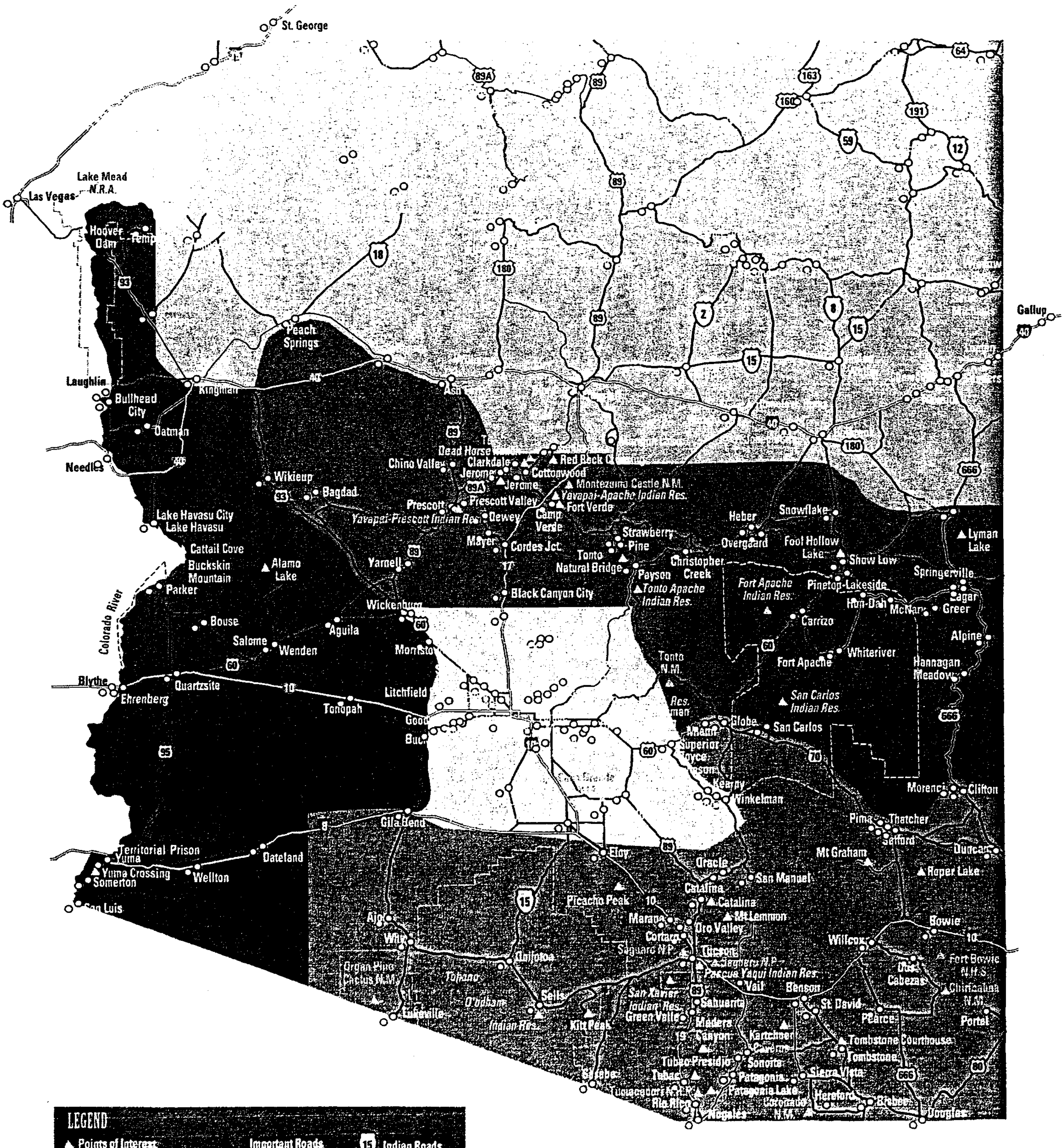
ATTACHMENT "C"

GEOGRAPHIC MARKET TO BE SERVED



St. George
Lake Mead
N.R.A.
Las Vegas
Hoover Dam
Laughlin
Bullhead City
Oatman
Kingman
Needles
Peach Springs
Gallup
Wikieup
Bagdad
Chino Valley
Clarkdale
Jerome
Cottonwood
Red Rock
Montezuma Castle N.M.
Yavapai-Apache Indian Res.
Fort Verde
Prescott
Prescott Valley
Yavapai-Prescott Indian Res.
Dewey
Camp Verde
Mayer
Cordes Jct.
Lake Havasu City
Lake Havasu
Cattail Cove
Buckskin Mountain
Parker
Alamo Lake
Colorado River
Yarnell
Black Canyon City
Wickenburg
Bouse
Aguila
Salome
Wenden
Blythe
Ehrenberg
Quartzsite
Tonopah
Litchfield
Strawberry
Pine
Tonto Natural Bridge
Payson
Tonto Apache Indian Res.
Christopher Creek
Heber
Overgaard
Snowflake
Fool Hollow Lake
Show Low
Lyman Lake
Springerville
Fort Apache Indian Res.
Pinetop-Lakeside
Hon-Dah
McNary
Eagar
Greer
Carrizo
Alpine
Fort Apache
Whiteriver
Hannagan Meadow
Tonto N.M.
San Carlos Indian Res.
Globe
San Carlos
Superior
Kearny
Winkelman
Morenci
Clifton
Pima
Thatcher
Safford
Duncan
Mt Graham
Roper Lake
Gila Bend
Eloy
Oracle
San Manuel
Territorial Prison
Yuma
Yuma Crossing
Somerton
Wellton
Dateland
San Luis
Picacho Peak
Catalina
Mt Lemmon
Marana
Oro Valley
Cortaro
Saguaro N.P.
Tucson
Pascua Yaqui Indian Res.
Vail
Benson
Ajo
Why
Organ Pipe Cactus N.M.
Tohono O'odham Indian Res.
Sells
Lukeville
San Xavier Indian Res.
Green Valley
Sahuarita
Kitt Peak
Madera Canyon
Kartchner Caverns
St. David
Willcox
Bowie
Fort Bowie N.H.S.
Dos Cabezas
Chiricahua N.M.
Pearce
Portal
Tombstone Courthouse
Tombstone
Tubac Presidio
Sonoita
Tubac
Patagonia
Sierra Vista
Patagonia Lake
Coronado N.M.
Hereford
Bisbee
Douglas
Rio Rico
Nogales
LEGEND
Points of Interest
State Parks
Indian Reservations
National Parks and Monuments
Important Roads
Divided Highways
Scenic Roads
Interstate Highways
Indian Roads
U.S. Highways
State Highways

ATTACHMENT "D"

APPLICANT'S FINANCIAL STATEMENTS

The audited financial statements and accompanying notes of Applicant's ultimate corporate parent, Charter Communications, Inc., for the years 2002 and 2003 are attached hereto.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2002

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 000-27927

Charter Communications

Charter Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware	43-1857213
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
12405 Powerscourt Drive St. Louis, Missouri 63131	(314) 965-0555
(Address of principal executive offices including zip code)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act:
Class A Common Stock, $.001 Par Value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The aggregate market value of the registrant of outstanding Class A Common Stock held by non-affiliates of the registrant at June 28, 2002 was approximately $1.1 billion, computed based on the closing sale price as quoted on the Nasdaq National Market on that date. For purposes of this calculation only, directors, executive officers and the principal controlling shareholder of the registrant are deemed to be affiliates of the registrant.

There were 294,527,595 shares of Class A Common Stock outstanding as of February 28, 2003. There were 50,000 shares of Class B Common Stock outstanding as of the same date.

Documents Incorporated By Reference
The following documents are incorporated into this Report by reference: None

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Independent Auditors' Report

To the Board of Directors
Charter Communications, Inc:

We have audited the accompanying consolidated balance sheets of Charter Communications, Inc. and subsidiaries as of December 31, 2002, 2001 and 2000, the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and signifi estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for o opinion.

In our opinion, he consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charter Communication Inc. and subsi ries as of December 31, 2002, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended Decem 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed i Note 3 to the consolidated financial statements, the Company has restated the consolidated balance sheets as of December 31, 2001 and 2000 the related con lidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, which consolidated financial statements wer previously audited by other independent auditors who have ceased operations.

As discussed in Note 4 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ KPMG LLP

St. Louis, Missouri
April 14, 2003

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(dollars in millions)

	December 31, 2002	December 31, 2001 (restated)	(re
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 321	$ 2	$
Accounts receivable, less allowance for doubtful accounts of $19, $33 and $12, respectively	259	292	
Receivables from related party	8	5	
Prepaid expenses and other current assets	45	70	
Total current assets	633	369	—
INVESTMENT IN CABLE PROPERTIES:			
Property, plant and equipment, net of accumulated depreciation of $2,634, $1,928 and $1,150, respectively	7,679	6,914	4,5
Franchises, net of accumulated amortization of $3,452, $3,443 and $2,006, respectively	13,727	18,911	18,8
Total investment in cable properties, net	21,406	25,825	23,6
OTHER ASSETS	345	269	2
Total assets	$22,384	$26,463	$24,3
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 1,405	$ 1,379	$ 1,3
Total current liabilities	1,405	1,379	1,34
LONG-TERM DEBT	18,671	16,343	13,06
DEFERRED MANAGEMENT FEES – RELATED PARTY	14	14	1
OTHER LONG-TERM LIABILITIES	1,177	1,682	1,517
MINORITY INTEREST	1,025	4,409	4,546
REDEEMABLE SECURITIES	—	—	1,104
PREFERRED STOCK – REDEEMABLE; $.001 par value; 1 million shares authorized; 505,664 shares issued and outstanding	51	51	—
SHAREHOLDERS' EQUITY:			
Class A Common stock; $.001 par value; 1.75 billion shares authorized; 294,620,408, 294,536,830 and 233,702,135 shares issued and outstanding, respectively	—	—	—
Class B Common stock; $.001 par value; 750 million shares authorized; 50,000 shares issued and outstanding	—	—	—
Preferred stock; $.001 par value; 250 million shares authorized; no non-redeemable shares issued and outstanding	—	—	—
Additional paid-in capital	4,697	4,694	3,691
Accumulated deficit	(4,609)	(2,092)	(924)
Accumulated other comprehensive loss	(47)	(17)	—
Total shareholders' equity	41	2,585	2,767
Total liabilities and shareholders' equity	$22,384	$26,463	$24,352

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in millions, except per share data)

	Year Ended December 31,		
	2002	2001	2000
		(restated)	(restated)
REVENUES	$ 4,566	$ 3,807	$ 3,14
COSTS AND EXPENSES:			
Operating (excluding depreciation and amortization and other items listed below)	1,804	1,480	1,18
Selling, general and administrative	966	832	608
Depreciation and amortization	1,437	2,682	2,398
Impairment of franchises	4,638	—	—
Option compensation expense, net	5	(5)	38
Special charges	36	18	—
	8,886	5,007	4,229
Loss from operations	(4,320)	(1,200)	(1,088)
OTHER INCOME (EXPENSE):			
Interest expense, net	(1,506)	(1,313)	(1,042)
Loss on equity investments	(3)	(54)	(19)
Other, net	(118)	(66)	(1)
	(1,627)	(1,433)	(1,062)
Loss before minority interest, income taxes and cumulative effect of accounting change	(5,947)	(2,633)	(2,150)
MINORITY INTEREST	3,179	1,464	1,282
Loss before income taxes and cumulative effect of accounting change	(2,768)	(1,169)	(868)
INCOME TAX BENEFIT	520	12	10
Loss before cumulative effect of accounting change	(2,248)	(1,157)	(858)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(266)	(10)	—
Net loss	(2,514)	(1,167)	(858)
Dividends on preferred stock – redeemable	(3)	(1)	—
Net loss applicable to common stock	$ (2,517)	$ (1,168)	$ (858)
LOSS PER COMMON SHARE, basic and diluted	$ (8.55)	$ (4.33)	$ (3.80)
Weighted average common shares outstanding, basic and diluted	294,440,261	269,594,386	225,697,775

The accompanying notes are an integral part of these consolidated financial statements.

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in millions)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Tot: Shareho Equi
BALANCE, December 31, 1999	$ —	$ —	$3,075	$ (66)	$ 2	$ 3,01
Issuance of common stock related to acquisitions	—	—	178	—	—	17
Redeemable securities reclassified as equity	—	—	693	—	—	69
Unrealized loss on marketable securities available for sale	—	—	—	—	(2)	(
Option compensation expense, net (restated)	—	—	16	—	—	1
Loss on issuance of equity by subsidiary (restated)	—	—	(272)	—	—	(27
Stock options exercised	—	—	1	—	—	
Net loss (restated)	—	—	—	(858)	—	(85
BALANCE, December 31, 2000 (restated)	—	—	3,591	(924)	—	2,76
Issuance of common stock related to acquisitions	—	—	2	—	—	2
Net proceeds from issuance of common stock	—	—	1,218	—	—	1,218
Redeemable securities reclassified as equity	—	—	9	—	—	9
Contributions from Charter Investment, Inc. (restated)	—	—	25	—	—	25
Changes in fair value of interest rate agreements	—	—	—	—	(17)	(17
Option compensation expense, net (restated)	—	—	(3)	—	—	(3
Loss on issuance of equity by subsidiary (restated)	—	—	(253)	—	—	(253
Stock options exercised	—	—	5	—	—	5
Dividends on preferred stock — redeemable	—	—	—	(1)	—	(1
Net loss (restated)	—	—	—	(1,167)	—	(1,167
BALANCE, December 31, 2001 (restated)	—	—	4,694	(2,092)	(17)	2,585
Issuance of common stock related to acquisitions	—	—	2	—	—	2
Changes in fair value of interest rate agreements	—	—	—	—	(30)	(30
Option compensation expense, net	—	—	2	—	—	2
Loss on issuance of equity by subsidiary	—	—	(1)	—	—	(1
Dividends on preferred stock — redeemable	—	—	—	(3)	—	(3
Net loss	—	—	—	(2,514)	—	(2,514
BALANCE, December 31, 2002	$ —	$ —	$4,697	$(4,609)	$ (47)	$ 41

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

	Year Ended December 31, 2002	2001	200
		(restated)	(resta
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(2,514)	$(1,167)	$ (85
Adjustments to reconcile net loss to net cash flows from operating activities:			
Minority interest	(3,179)	(1,464)	(1,28
Depreciation and amortization	1,437	2,682	2,39
Impairment of franchises	4,638	—	—
Option compensation expense, net	5	(5)	3
Noncash interest expense	395	295	17
Loss on equity investments	3	54	1
Loss on derivative instruments and hedging activities, net	115	50	—
Deferred income taxes	(520)	(12)	(1
Cumulative effect of accounting change	266	10	—
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	27	(73)	(130
Prepaid expenses and other current assets	26	(11)	(2
Accounts payable and accrued expenses	52	125	523
Receivables from and payables to related party, including deferred management fees	(3)	—	(35
Other operating activities	—	5	(7
Net cash flows from operating activities	748	489	823
CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant and equipment	(2,222)	(3,001)	(2,536)
Payments for acquisitions, net of cash acquired	(139)	(1,755)	(1,188)
Purchases of investments	(12)	(3)	(59)
Other investing activities	10	(15)	32
Net cash flows from investing activities	(2,363)	(4,774)	(3,751)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	2	1,223	—
Borrowings of long-term debt	4,106	7,310	7,505
Repayments of long-term debt	(2,134)	(4,290)	(4,500)
Payments for debt issuance costs	(40)	(87)	(85)
Net cash flows from financing activities	1,934	4,156	2,920
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	319	(129)	(3)
CASH AND CASH EQUIVALENTS, beginning of period	2	131	134
CASH AND CASH EQUIVALENTS, end of period	$ 321	$ 2	$ 131
CASH PAID FOR INTEREST	$ 1,103	$ 994	$ 772
NONCASH TRANSACTIONS:			
Reclassification of redeemable securities to equity and minority interest	$ —	$ 1,105	$ 742
Exchange of cable system for acquisition	—	25	—
Issuances of preferred stock – redeemable, as payment for acquisitions	—	51	—
Issuances of equity as partial payments for acquisitions	—	2	1,192

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
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1. Organization

Charter Communications, Inc. (Charter) is a holding company whose primary asset at December 31, 2002 is a 47% controlling common equity interest in Communications Holding Company, LLC (Charter Holdco), which, in turn, is the sole owner of Charter Communications Holdings, LLC (Charter Holdin Charter. Charter Holdco and its subsidiaries are collectively referred to herein as the "Company." The Company owns and operates cable systems that pro full range of traditional analog television services to the home, along with advanced broadband services, including television on an advanced digital programming platform and high-speed Internet access. The Company also provides commercial high-speed data, video, telephony and Internet services a as advertising sales and production services.

2. Liquidity and Capital Resources

The Company has incurred losses from operations of $4.3 billion, $1.2 billion and $1.1 billion in 2002, 2001 and 2000, respectively. The Company's net c flows from operating activities were $748 million, $489 million and $828 million for the years ending December 31, 2002, 2001 and 2000, respectively. In addition, the Company has required significant cash to fund capital expenditures, debt service costs and ongoing operations. Historically the Company has funded liquidity and capital requirements through cash flows from operations, borrowing under the credit facilities of the Company's subsidiaries, and by issuances of debt and equity securities. The mix of funding sources changes from period to period, but for the year ended December 31, 2002, approximatel 70% of the Company's funding requirements were from cash flows from operations, 16% was from borrowings under the credit facilities of the Company's subsidiaries and 14% was for the issuance of debt by the Company's subsidiaries.

The Company expects that cash on hand, cash flows from operations and the funds available under the bank facilities and borrowings under the Vulcan Inc. commitment described in Note 10 will be adequate to meet its 2003 cash needs. However, the bank facilities are subject to certain restrictive covenants, port of which are subject to the operating results of the Company's subsidiaries. The Company's 2003 operating plan maintains compliance with these covenants the Company's actual operating results do not maintain compliance with these covenants, or if other events of noncompliance occur, funding under the bank facilities may not be available and defaults on some or potentially all debt obligations could occur. In addition, no assurances can be given that the Company not experience liquidity problems because of adverse market conditions or other unfavorable events or if the Company does not obtain sufficient additional financing on a timely basis. The Company has arranged additional availability as described in Note 10.

The indenture governing the Charter Holdco notes permits Charter Holdings and its subsidiaries to make payments to the extent of its outstanding unsubordir intercompany debt to Charter Holdco, which had an aggregate principal amount of approximately $73 million as of December 31, 2002. That amount is only sufficient to enable Charter to make interest payments on its convertible senior notes through December, 2003, and is not sufficient to enable Charter to make interest payments beginning in April, 2004 or to repay all or any portion of its convertible senior notes at maturity.

Accordingly, Charter will not be able to make interest payments beginning in April, 2004, or principal payments at maturity in 2005 and 2006, with respect to convertible senior notes unless it can obtain additional financing or it receives distributions or other payments from its subsidiaries. The indentures governing Charter Holdings notes permit Charter Holdings to make distributions to Charter Holdco only if, at the time of distribution, Charter Holdings can meet a lever ratio of 8.75 to 1.0, there is no default under the indentures and other specified tests are met.

The Company's long-term financing structure as of December 31, 2002 includes $7.8 billion of credit facility debt, $9.5 billion of high-yield debt and $1.4 billion of convertible subordinated debentures. Approximately $236 million of this financing matures during 2003. Note 10 discusses the Company's current availability and long-term obligations, interest obligations and provides a schedule of maturity.

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3. Restatements of Consolidated Financial Results

The Company has identified a series of adjustments that have resulted in the restatement of the previously issued financial statements for the years ended December 31, 2001 and 2000. These adjustments also resulted in the restatements of previously announced quarterly results for the first three quarters of fisc 2002 and each quarter during fiscal 2001 and 2000, as more fully described in Note 28. In summary, the adjustments are grouped into the following categorie (i) launch incentives from programmers; (ii) customer incentives and inducements; (iii) capitalized labor and overhead costs; (iv) customer acquisition costs; (v) rebuild and upgrade of cable systems; (vi) deferred tax liabilities/franchise assets; and (vii) other adjustments. These adjustments reduced revenue for the years ended December 31, 2001 and 2000 by $146 million and $108 million, respectively. The Company's consolidated net loss decreased by $11 million for year ended December 31, 2001. Net loss increased by $29 million for the year ended December 31, 2000, primarily due to adjustments related to the original accounting for acquisitions and for elements of the rebuild and upgrade activities. In addition, as a result of certain of these adjustments, the Company's statements of cash flows have been restated. Cash flows from operations for the years ended December 31, 2001 and 2000 were reduced by $30 million and $303 million, respectively. The more significant categories of adjustment relate to the following as outlined below.

Launch Incentives from Programmers. Amounts previously recognized as advertising revenue in connection with the launch of new programming channels ha been deferred and recorded in other long-term liabilities in the year such launch support was provided, and amortized as a reduction of programming costs bas upon the relevant contract term. These adjustments decreased revenue by $118 million and $76 million for the years ended December 31, 2001 and 2000, respectively. Additionally, for the year ended December 31, 2000, the Company increased marketing expense by $24 million for other promotional activities associated with launching new programming services previously deferred and subsequently amortized. The corresponding amortization of such deferred amou reduced programming expenses by $27 million and $5 million for the years ended December 31, 2001 and 2000, respectively.

Customer Incentives and Inducements. Marketing inducements paid to encourage potential customers to switch from satellite providers to Charter branded services and enter into multi-period service agreements were previously deferred and recorded as property, plant and equipment and recognized as depreciatio and amortization expense over the life of customer contracts. These amounts have been restated as a reduction of revenues in the period such inducements were paid. Revenue declined $19 million and $2 million for the years ended December 31, 2001 and 2000, respectively. Substantially all of these amounts are offset by reduced depreciation and amortization expense.

Capitalized Labor and Overhead Costs. Certain elements of labor costs and related overhead allocations previously capitalized as property, plant and equipmen as part of the Company's rebuild activities, customer installations and new service introductions have been expensed in the period incurred. Such adjustments increased operating expenses by $93 million and $52 million for the years ended December 31, 2001 and 2000, respectively.

Customer Acquisition Costs. Certain customer acquisition campaigns were conducted through third-party contractors in 2000, 2001 and portions of 2002. The costs of these campaigns were originally deferred and recorded as other assets and recognized as amortization expense over the average customer contract life. These amounts have been reported as marketing expense in the period incurred and totaled $59 million and $4 million and for the years ended December 31, 2001 and 2000, respectively. The Company discontinued this program in the third quarter of 2002 as contracts for third-party vendors expired. Substantially all of these amounts are offset by reduced depreciation and amortization expense.

Rebuild and Upgrade of Cable Systems. In 2000, the Company initiated a three-year program to replace and upgrade a substantial portion of its network. In connection with this plan, the Company assessed the carrying value of, and the associated depreciable lives of, various assets to be replaced. It was determined that $1 billion of cable distribution system assets, originally treated as subject to replacement, were not part of the original replacement plan but were to be upgraded and have remained in service. The Company also determined that certain assets subject to replacement during the upgrade program were misstated in the allocation of the purchase price of the acquisition. This adjustment is a reduction to property, plant and equipment and increased franchise costs of approximately $627 million as a result of this finding. In addition, the depreciation period for the replacement assets was adjusted to more closely align with the intended servic: period of these assets rather than the three—year straight—line life originally assigned. As a result, adjustments were recorded to reduce depreciation expense $330 million and $119 million in the years ending 2001 and 2000, respectively.

Deferred Tax Liabilities/Franchise Assets. Adjustments were made to record deferred tax liabilities associated with the acquisition of various cable televisic businesses. These adjustments increased amounts assigned to franchise assets by $1.4 billion with a corresponding increase in deferred tax liabilities of $1.2 billion. The balance of the entry was recorded to equity and minority interest. In addition, as described above, a correction was made to reduce amount assigned in purchase accounting to assets identified for replacement over the three—year period of the Company's rebuild and upgrade of its network. This reduced the amount assigned to the network assets to be retained and increased the amount assigned to franchise assets by approximately $627 million with resulting increase in amortization expense for the years restated. Such adjustments increased amortization expense by $130 million and $121 million, respectively, for the years ended December 31, 2001 and 2000.

Other Adjustments. In addition to the items described above, reductions to 2000 revenues include the reversal of certain advertising revenues from equipmen vendors. Other adjustments of expenses include expensing certain marketing and customer acquisition costs previously charged against purchase accounting reserves, certain tax reclassifications from tax expense to operating costs, reclassifying management fee revenue from a joint venture to offset losses from investments and adjustments to option compensation expense. The net impact of these adjustments to net loss is an increase of $38 million and a decrease of $10 million, respectively, for the years ended December 31, 2001 and 2000.

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The following table sets forth the consolidated balance sheet for the Company, showing previously reported and restated amounts, as of December 31, 200
millions):

	As previously reported	As resta
CURRENT ASSETS:		
Cash and cash equivalents	$ 2	$ [illegible]
Accounts receivable, net	290	29[illegible]
Receivables from related parties	5	5
Prepaid expenses and other current assets	70	70
Total current assets	367	369
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net	7,150	6,914
Franchises, net	17,139	18,911
Total investment in cable properties, net	24,289	25,825
OTHER ASSETS	306	269
Total assets	$24,962	$26,463
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,375	$ 1,379
Total current liabilities	1,375	1,379
LONG-TERM DEBT	16,343	16,343
DEFERRED MANAGEMENT FEES — RELATED PARTY	14	14
OTHER LONG-TERM LIABILITIES	341	1,682
MINORITY INTEREST	3,976	4,409
PREFERRED STOCK — REDEEMABLE	51	51
SHAREHOLDERS' EQUITY:		
Class A common stock	—	—
Class B common stock	—	—
Preferred stock	—	—
Additional paid-in capital	4,953	4,694
Accumulated deficit	(2,073)	(2,092)
Accumulated other comprehensive loss	(18)	(17)
Total shareholders' equity	2,862	2,585
Total liabilities and shareholders' equity	$24,962	$26,463

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The following table sets forth the consolidated statement of operations for the Company, showing previously reported and restated amounts, for the year at December 31, 2001 (in millions, except share data):

	As previously reported	As restated
REVENUES	$ 3,953	$ 3,807
COSTS AND EXPENSES:		
Operating (excluding depreciation and amortization and other items listed below)	1,326	1,480
Selling, general and administrative	841	832
Depreciation and amortization	3,010	2,682
Option compensation expense, net	(46)	(5)
Special charges	18	18
	5,149	5,007
Loss from operations	(1,196)	(1,200)
OTHER INCOME (EXPENSE):		
Interest expense, net	(1,312)	(1,313)
Loss on equity investments	(54)	(54)
Other, net	(94)	(66)
	(1,460)	(1,433)
Loss before minority interest, income taxes and cumulative effect of accounting change	(2,656)	(2,633)
MINORITY INTEREST	1,478	1,464
Loss before income taxes and cumulative effect of accounting change	(1,178)	(1,169)
INCOME TAX BENEFIT	—	12
Loss before cumulative effect of accounting change	(1,178)	(1,157)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	—	(10)
Net loss	(1,178)	(1,167)
Dividends on preferred stock – redeemable	(1)	(1)
Net loss applicable to common stock	$ (1,179)	$ (1,168)
LOSS PER COMMON SHARE, basic and diluted	$ (4.37)	$ (4.33)
Weighted average common shares outstanding, basic and diluted	269,594,386	269,594,386

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The following table sets forth the consolidated balance sheet for the Company, showing previously reported and restated amounts, as of December 31, 2000 millions):

	As previously reported	As restated
CURRENT ASSETS:		
Cash and cash equivalents	$ 131	$ 131
Accounts receivable, net	218	209
Receivables from related parties	6	—
Prepaid expenses and other current assets	78	87
Total current assets	433	427
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net	5,267	4,829
Franchises, net	17,069	18,835
Total investment in cable properties, net	22,336	23,664
OTHER ASSETS	275	261
Total assets	$23,044	$24,352
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,367	$ 1,343
Total current liabilities	1,367	1,343
LONG-TERM DEBT	13,061	13,061
DEFERRED MANAGEMENT FEES — RELATED PARTY	14	14
OTHER LONG-TERM LIABILITIES	285	1,517
MINORITY INTEREST	4,090	4,546
REDEEMABLE SECURITIES	1,104	1,104
SHAREHOLDERS' EQUITY:		
Class A common stock	—	—
Class B common stock	—	—
Preferred stock	—	—
Additional paid-in capital	4,018	3,691
Accumulated deficit	(895)	(924)
Total shareholders' equity	3,123	2,767
Total liabilities and shareholders' equity	$23,044	$24,352

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The following table sets forth the consolidated statement of operations for the Company, showing previously reported and restated amounts, for the year e December 31, 2000 (in millions, except share data):

	As previously reported	As restated
REVENUES	$ 3,249	$ 3,141
COSTS AND EXPENSES:		
Operating (excluding depreciation and amortization and other items listed below)	1,036	1,185
Selling, general and administrative	670	608
Depreciation and amortization	2,473	2,398
Option compensation expense, net	41	38
	4,220	4,229
Loss from operations	(971)	(1,088)
OTHER INCOME (EXPENSE):		
Interest expense, net	(1,052)	(1,042)
Loss on equity investments	(19)	(19)
Other, net	(13)	(1)
	(1,084)	(1,062)
Loss before minority interest and income taxes	(2,055)	(2,150)
MINORITY INTEREST	1,226	1,282
Loss before income taxes	(829)	(868)
INCOME TAX BENEFIT	—	10
Net loss	$ (829)	$ (858)
LOSS PER COMMON SHARE, basic and diluted	$ (3.67)	$ (3.80)
Weighted average common shares outstanding, basic and diluted	225,697,775	225,697,775

The following table sets forth selected consolidated statements of cash flows information for the Company, showing previously reported and restated amoun for the years ended December 31, 2001 and 2000 (in millions):

	2001		2000	
	As previously reported	As restated	As previously reported	As restated
Net cash from operating activities	$ 519	$ 489	$ 1,131	$ 828
Net cash from investing activities	(4,809)	(4,774)	(4,054)	(3,751)
Net cash from financing activities	$ 4,162	$ 4,156	$ 2,920	$ 2,920

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4. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The consolidated financial statements of the Company include the accounts of Charter, Charter Holdco, Charter Holdings and all of their wholly–owned subsidiaries and those subsidiaries over which Charter exercises voting control. Currently, Charter Holdco is the only subsidiary in which the Company consolidates on the basis of voting control. All significant intercompany accounts and transactions among consolidated entities have been eliminated. All amounts presented for 2000 and 2001 in the financial statements and accompanying notes have been adjusted to reflect the restated results in Note 3.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estima and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statemen and the reported amounts of revenues and expenses during the reporting period. Significant judgments and estimates include capitalization of labor and overhe costs, depreciation and amortization costs, impairments of property, plant and equipment, franchises and goodwill, income taxes and other contingencies. Act results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. These investments are carried at cost, which approximates market value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, including all material labor and certain indirect costs associated with the construction of cable transmission and distribution facilities. Costs associated with initial customer installations and the additions of network equipment necessary to enable advanced services are capitalized. Costs capitalized as part of initial customer installations include materials, labor, and certain indirect costs. These indirect costs are associated with the activities of the Company's personnel who assist in connecting and activating the new service and consist of compensation and overhead costs associated with these support functions. Overhead costs primarily include employee benefits and payroll taxes, direct variable costs associated with capitalizable activities, consisting primarily of installation and construction vehicle costs, the cost of dispatch personnel and indirect costs directly attributable to capitalizable activities. The costs of disconnecting service at a customer's dwelling or reconnecting service to a previously installed dwelling are charged to operating expense in the period incurred. Costs for repairs and maintenance are charged to operating expense as incurred, while equipment replacement and betterments, including replacement of cable drops from the pole to the dwelling, are capitalized.

Depreciation is recorded using the straight–line method over management's estimate of the useful lives of the related assets as follows:

Cable distribution systems	7–15 years
Customer equipment and installations	3–5 years
Vehicles and equipment	1–5 years
Buildings and leasehold improvements	5–15 years
Furniture and fixtures	5 years

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Franchises

Franchise rights acquired through the purchase of cable systems represent management's estimate of fair value at the date of acquisition and generally are reviewed to determine if the franchise has a finite life or an indefinite life as defined by Statement of Financial Accounting Standards (SFAS) No. 142. On January 1, 2002, the Company adopted SFAS No. 142, which eliminates the amortization of goodwill and indefinite lived intangible assets. Accordingly, beginning January 1, 2002, all franchises that qualify for indefinite life treatment under SFAS No. 142 are no longer amortized against earnings but instead a tested for impairment annually as of October 1, or more frequently as warranted by events or changes in circumstances (See Note 3). Certain franchises did n qualify for indefinite-life treatment due to technological or operational factors that limit their lives. These franchise costs are amortized on a straight-line ba over 10 years. Costs incurred in renewing cable franchises are deferred and amortized over 10 years.

Prior to the adoption of SFAS No. 142, costs incurred in obtaining and renewing cable franchises were deferred and amortized using the straight-line method over a period of 15 years. Franchise rights acquired through the purchase of cable systems were generally amortized using the straight-line method over a pe of 15 years. The period of 15 years was management's best estimate of the useful lives of the franchises and assumed that substantially all of those franchises expired during the period would be renewed but not indefinitely. The Company evaluated the recoverability of franchises for impairment when events or char in circumstances indicated that the carrying amount of an asset may not be recoverable. Because substantially all of the Company's franchise rights have been acquired in the past several years, at the time of acquisition management believed the Company did not have sufficient experience with the local franchise authorities to conclude that renewals of franchises could be accomplished indefinitely.

The Company believes that facts and circumstances have changed to enable it to conclude that substantially all of its franchises will be renewed indefinitely, v those franchises where technological or operational factors limit their lives continuing to be amortized. The Company has sufficiently upgraded the technologi state of its cable systems and now has sufficient experience with the local franchise authorities where it acquired franchises to conclude substantially all franchises will be renewed indefinitely.

Other Assets

Other assets primarily include goodwill, deferred financing costs and investments in equity securities. Costs related to borrowings are deferred and amortized interest expense using the effective interest method over the terms of the related borrowings. As of December 31, 2002, 2001 and 2000, other assets include $231 million, $230 million and $171 million of deferred financing costs, net of accumulated amortization of $106 million, $67 million and $35 million, respectively.

Investments in equity securities are accounted for at cost, under the equity method of accounting or in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Charter recognizes losses for any decline in value considered be other than temporary. Certain marketable equity securities are classified as available-for-sale and reported at market value with unrealized gains and losses recorded as accumulated other comprehensive income or loss.

The following summarizes investment information as of and for the years ended December 31, 2002, 2001 and 2000 (in millions):

	Carrying Value at December 31,			Gain (loss) for the Year Ended December 31,	
	2002	2001	2000	2002	2001
Equity investments, under the cost method	$ 17	$ 13	$ 14	$ —	$ (8)
Equity investments, under the equity method	16	12	49	(5)	(42)
Marketable securities, at market value	—	4	4	2	(4)
	$ 33	$ 29	$ 67	$ (3)	$ (54)

Valuation of Property, Plant and Equipment

The Company evaluates the recoverability of property, plant and equipment for impairment when events or changes in circumstances indicate that the carry amount of an asset may not be recoverable. Such events or changes in circumstances could include such factors as changes in technological advances, fluctuations in the fair value of such assets, adverse changes in relationships with local franchise authorities, adverse changes in market conditions or poor operating results. If a review indicates that the carrying value of such asset is not recoverable from estimated undiscounted cash flows, the carrying value of asset is reduced to its estimated fair value. While the Company believes that its estimates of future cash flows are reasonable, different assumptions regardin such cash flows could materially affect its evaluations of asset recoverability. No impairment of property, plant and equipment occurred in 2002, 2001 and 2

Derivative Financial Instruments

The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements, interest rate cap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) as required under the terms of the credit facilities of the Company's subsidiarie The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amc Interest rate cap agreements are used to lock in a maximum interest rate should variable rates rise, but enable the Company to otherwise pay lower market ra Interest rate collar agreements are used to limit exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates. Company does not hold or issue any derivative financial instruments for trading purposes.

Revenue Recognition

Revenues from analog, digital and high-speed data services are recognized when the related services are provided. Advertising sales are recognized in the per that the advertisements are broadcast. Local governmental authorities impose franchise fees on the Company ranging up to a federally mandated maximum of of gross revenues as defined in the franchise agreement. Such fees are collected on a monthly basis from the Company's customers and are periodically remitt to local franchise authorities. Franchise fees collected and paid are reported as revenues and expenses, respectively.

Programming Costs

The Company has various contracts to obtain analog, digital and premium programming from program suppliers whose compensation is typically based on a fl fee per customer. The cost of the right to exhibit network programming under such arrangements is recorded in operating expenses in the month the programming is available for exhibition. Programming costs are paid each month based on calculations performed by the Company and are subject to adjustme based on periodic audits performed by the programmers. Additionally, certain programming contracts contain launch incentives to be paid by the programmers The Company receives these upfront payments related to the promotion and activation of the programmer's cable television channel and defers recognition of t

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launch incentives over the life of the programming agreement as an offset to programming expense. This offset to programming expense was $57 million million and $4 million for the years ended December 31, 2002, 2001 and 2000, respectively. Total programming costs paid to programmers were $1.2 bil $951 million and $763 million for the years ended December 31, 2002, 2001 and 2000, respectively. As of December 31, 2002, 2001 and 2000, the defer amount of launch incentives, included in other long-term liabilities, totaled $210 million, $215 million and $126 million, respectively.

Advertising Costs

Advertising costs, including advertising associated with the launch of cable channels, are generally expensed as costs are incurred. Advertising expense w: $74 million, $52 million and $60 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Stock-Based Compensation

The Company has historically accounted for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, "Account for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." On January 1, 2 the Company adopted the fair value measurement provisions of SFAS No. 123 using the prospective method under which the Company will recognize compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date consistent with method described in Financial Accounting Standards Board Interpretation No. 28 (FIN 28), *Accounting for Stock Appreciation Rights and Other Variable S Option or Award Plans*. Adoption of these provisions will result in utilizing a preferable accounting method as the consolidated financial statements will pr the estimated fair value of stock-based compensation in expense consistently with other forms of compensation and other expense associated with goods an services received for equity instruments. In accordance with SFAS No. 148, the fair value method will be applied only to awards granted or modified after January 1, 2003, whereas awards granted prior to such date will continue to be accounted for under APB No. 25, unless they are modified or settled in cash. Management believes the adoption of these provisions will not have a material impact on the consolidated results of operations or financial position of the Company. The ongoing effect on consolidated results of operations or financial position will be dependent upon future stock based compensation awards gr by the Company. Had the Company adopted SFAS No. 123 as of January 1, 2002, using the prospective method, option compensation expense for the year December 31, 2002 would have been approximately $2 million.

SFAS No. 123 requires pro forma disclosure of the impact on earnings as if the compensation expense for these plans had been determined using the fair val method. The following table presents the Company's net loss and loss per share as reported and the pro forma amounts that would have been reported using fair value method under SFAS 123 for the years presented:

	Year Ended December 31,		
	2002	2001	2000
Net loss applicable to common stock (in millions):	$(2,517)	$(1,168)	$ (858
Pro forma	(2,571)	(1,226)	(878)
Loss per common shares, basic and diluted:	(8.55)	(4.33)	(3.80)
Pro forma	(8.73)	(4.55)	(3.89)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for grants during the years ended December 31, 2002, 2001 and 2000, respectively: risk-free interest rates of 3.6%, 4.7%, and 6.5%; expected volatility of 64.2%, 56.2% and 43.8%; and expected lives of 3.3 years, 3.7 years and 3.5 years, respectively. The valuations assume no dividends are paid.

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Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Compa assets and liabilities and expected benefits of utilizing net operating loss carryforwards. The impact on deferred taxes of changes in tax rates and tax law, i applied to the years during which temporary differences are expected to be settled, are reflected in the consolidated financial statements in the period of enactment (see Note 22).

Minority Interest

Minority interest represents total members' equity of Charter Holdco not owned by Charter, plus preferred membership interests in an indirect subsidiary c Charter held by certain sellers of the Bresnan systems, less redeemable securities. Minority interest totaled $1.0 billion, $4.4 billion and $4.5 billion as of December 31, 2002, 2001 and 2000, respectively, on the accompanying consolidated balance sheets. Gains or losses arising from issuances by Charter Hol its membership units are recorded as capital transactions thereby increasing or decreasing shareholders' equity and decreasing or increasing minority intere the consolidated balance sheets. These gains (losses) totaled ($1) million, ($253) million and ($272) million for the years ended December 31, 2002, 2001 2000, respectively, on the accompanying consolidated statements of changes in shareholders' equity. Operating losses are allocated to the minority owners on their ownership percentage, thereby reducing the Company's net loss.

Loss per Common Share

Basic loss per common share is computed by dividing the net loss applicable to common stock by 294,440,261 shares, 269,594,386 shares and 225,697,775 shares for the years ended December 31, 2002, 2001 and 2000, representing the weighted-average common shares outstanding during the respective period Diluted loss per common share equals basic loss per common share for the periods presented, as the effect of stock options is antidilutive because the Comp incurred net losses. All membership units of Charter Holdco are exchangeable on a one-for-one basis into common stock of Charter at the option of the ho Should the holders exchange units for shares, the effect would not be dilutive.

Segments

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," established standards for reporting information about operating seg in annual financial statements and in interim financial reports issued to shareholders. Operating segments are defined as components of an enterprise about separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding h to allocate resources to an individual segment and in assessing performance of the segment.

The Company's operations are managed on the basis of distinct geographic regional and divisional operating segments. The Company has evaluated the cric for aggregation of the geographic operating segments under paragraph 17 of SFAS No. 131 and believes it meets each of the respective criteria set forth. The Company delivers similar products and services within each of its geographic divisional operations. Each geographic and divisional service area utilizes sim means for delivering the programming of the Company's services; have similarity in the type or class of customer receiving the products and services; distril the Company's services over a unified network; and operates within a consistent regulatory environment. In addition, each of the geographic regional and divisional operating segments has similar economic characteristics. Accordingly, management has determined that the Company has one reportable segment broadband services.

5. Acquisitions

On February 28, 2002, CC Systems, LLC, a subsidiary of the Company, and High Speed Access Corp. (HSA) closed the Company's acquisition from HSA o the contracts and associated assets, and assumed related liabilities,

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that served certain of the Company's high-speed data customers. At closing, the Company paid $78 million in cash and delivered 37,000 shares of HSA's Series D convertible preferred stock and all the warrants to buy HSA common stock owned by the Company. An additional $2 million of purchase price was retained to secure indemnity claims. The purchase price has been allocated to assets acquired and liabilities assumed based on fair values as determined in the fourth quarter of 2002 by a third-party valuation expert, including $8 million assigned to intangible assets and amortized over an average useful life of three years and $54 million assigned to goodwill. The finalization of the purchase price did not have a material effect on amortization expense previously reported. During the period from 1997 to 2000, certain subsidiaries of the Company entered into Internet-access related service agreements with HSA, and both Vulcan Ventures and certain of the Company's subsidiaries made equity investments in HSA. (See Note 23 for additional information).

In April 2002, Interlink Communications Partners, LLC, Rifkin Acquisition Partners, LLC and Charter Communications Entertainment I, LLC, each an indirect wholly-owned subsidiary of Charter Holdings, completed the purchase of certain assets of Enstar Income Program II-2, L.P., Enstar Income Program IV-3, L.P., Enstar Income/Growth Program Six-A, L.P., Enstar Cable of Macoupin County and Enstar IV/PBD Systems Venture, serving in the aggregate approximately [illegible],600 (unaudited) customers, for a total cash purchase price of $48 million. In September 2002, Charter Communications Entertainment I, LLC purchased all of Enstar Income Program II-1, L.P.'s Illinois cable television systems, serving approximately 6,400 (unaudited) customers, for a cash purchase price of $15 million. Enstar Communications Corporation, a direct subsidiary of Charter Holdco, is a general partner of the Enstar limited partnerships but does not exercise control over them. The purchase prices were allocated to assets acquired based on fair values, including $41 million assigned to franchises and $4 million assigned to customer relationships amortized over a useful life of three years.

During the second and third quarters in 2001, the Company acquired cable systems in two separate transactions. In connection with the acquisitions, the Company paid aggregate cash consideration of $1.8 billion, transferred a cable system valued at $25 million, issued 505,664 shares of Charter Series A Convertible Redeemable Preferred Stock valued at $51 million, and in the first quarter of 2003 issued 39,595 additional shares of Series A Convertible Redeemable Preferred Stock to certain sellers subject to certain holdback provisions of the acquisition agreement valued at $4 million. The purchase prices were allocated to assets acquired and liabilities assumed based on fair values, including amounts assigned to franchises of $1.5 billion.

During 2000, the Company acquired cable systems in five separate transactions for an aggregate purchase price of $1.2 billion, net of cash acquired, excluding debt assumed of $963 million. In connection with the acquisitions, Charter issued shares of Class A common stock valued at approximately $178 million, and Charter Holdco and an indirect subsidiary of Charter Holdco issued equity interests totaling $385 million and $629 million, respectively. The purchase prices were allocated to assets and liabilities assumed based on relative fair values, including amounts assigned to franchises of $3.3 billion.

The transactions described above were accounted for using the purchase method of accounting, and, accordingly, the results of operations of the acquired assets and assumed liabilities have been included in the consolidated financial statements from their respective dates of acquisition. The purchase prices were allocated to assets acquired and liabilities assumed based on fair values.

The summarized operating results of the Company that follow are presented on a pro forma basis as if the following had occurred on January 1, 2000: all acquisitions and dispositions completed during 2000 and 2001; the issuance of Charter Holdings senior notes and senior discount notes in January 2002 and 2001; the issuance of Charter Holdings senior notes and senior discount notes in May 2001; and the issuance of and sale by Charter of convertible senior notes and Class A common stock in May 2001. Adjustments have been made to give effect to amortization of franchises acquired prior to July 1, 2001, interest expense, minority interest, and certain other adjustments. Pro forma results for the year ended December 31, 2002 would not differ significantly from historical results.

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	Year Ended December 31,	
	2001	2000
	(in millions, except per share data)	
Revenues	$ 3,969	$ 3,501
Loss from operations	(1,200)	(1,121)
Loss before minority interest	(2,727)	(2,426)
Net loss	(1,251)	(1,134)
Loss per common share, basic and diluted	(4.64)	(5.02)

The unaudited pro forma financial information has been presented for comparative purposes and does not purport to be indicative of the consolidated results operations had these transactions been completed as of the assumed date or which may be obtained in the future.

6. Allowance for Doubtful Accounts

Activity in the allowance for doubtful accounts is summarized as follows for the years presented (in millions):

	Year Ended December 31,		
	2002	2001	2(
Balance, beginning of year	$ 33	$ 12	$
Acquisitions of cable systems	—	1	
Charged to expense	108	95	
Uncollected balances written off, net of recoveries	(122)	(75)	(
Balance, end of year	$ 19	$ 33	$

7. Property, Plant and Equipment

Property, plant and equipment consists of the following as of December 31, 2002, 2001 and 2000 (in millions):

	2002	2001	2000
Cable distribution systems	$ 8,950	$ 7,877	$ 5,289
Land, buildings and leasehold improvements	580	506	282
Vehicles and equipment	783	459	408
	10,313	8,842	5,979
Less: accumulated depreciation	(2,634)	(1,928)	(1,150)
	$ 7,679	$ 6,914	$ 4,829

The Company periodically evaluates the estimated useful lives used to depreciate its assets and the estimated amount of assets that will be abandoned or have minimal use in the future. A significant change in assumptions about the extent or timing of future asset retirements, or in the Company's upgrade program, could materially affect future depreciation expense.

For the years ended December 31, 2002, 2001 and 2000, depreciation expense was $1.4 billion, $1.2 billion, and $1.0 billion, respectively.

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8. Franchises and Goodwill

On January 1, 2002, the Company adopted SFAS No. 142, which eliminates the amortization of indefinite lived intangible assets. Accordingly, beginning January 1, 2002, all franchises that qualify for indefinite life treatment under SFAS No. 142 are no longer amortized against earnings but instead will be tes for impairment annually, or more frequently as warranted by events or changes in circumstances. During the first quarter of 2002, the Company had an independent appraiser perform valuations of its franchises as of January 1, 2002. Based on the guidance prescribed in Emerging Issues Task Force (EITF) Is No. 02-7, *Unit of Accounting for Testing of Impairment of Indefinite-Lived Intangible Assets*, franchises were aggregated into essentially inseparable asse groups to conduct the valuations. The asset groups generally represent geographic clusters of the Company's cable systems, which management believes represents the highest and best use of those assets. Fair value was determined based on estimated discounted future cash flows using reasonable and appropr assumptions that are consistent with internal forecasts. As a result, the Company determined that franchises were impaired and recorded the cumulative effec a change in accounting principle of $266 million (approximately $572 million before minority interest effects). The effect of adoption was to increase net los and loss per share by $266 million and $0.90, respectively. As required by SFAS No. 142, the standard has not been retroactively applied to the results for th period prior to adoption.

The Company performed its annual impairment assessment on October 1, 2002 using an independent third-party appraiser and following the guidance of EIT Issue 02-17, *Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination*, which was issued in October 2002 and requires th consideration of assumptions that marketplace participants would consider, such as expectations of future contract renewals and other benefits related to the intangible asset. Revised earnings forecasts and the methodology required by SFAS No. 142 which excludes certain intangibles led to recognition of a $4.6 billion impairment in the fourth quarter of 2002.

The independent third-party appraiser's valuation as of October 1, 2002 yielded an enterprise value of approximately $25 billion, which included $3 billion assigned to customer relationships. SFAS No. 142 does not permit the recognition of the customer relationship asset not previously recognized. Accordingly, t analysis of the impairment could not include approximately $373 million and $2.9 billion attributable to customer relationship values as of January 1, 2002 an October 1, 2002, respectively.

In determining whether its franchises have an indefinite life, the Company considered the exclusivity of the franchise, its expected costs of franchise renewals, and the technological state of the associated cable systems with a view to whether or not the Company is in compliance with any technology upgrading requirements. Certain franchises did not qualify for indefinite-life treatment due to technological or operational factors that limit their lives. These franchise costs will be amortized on a straight-line basis over 10 years.

The effect of the adoption of SFAS No. 142 as of December 31, 2002 and 2001 is presented in the following table (in millions):

	December 31,								
	2002			2001			2000		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:									
Franchises with indefinite lives	$17,076	$ 3,428	$13,648	$22,255	$ 3,428	$18,827	$20,742	$ 2,000	$18,742
Goodwill	54	—	54	—	—	—	—	—	—
	$17,130	$ 3,428	$13,702	$22,255	$ 3,428	$18,827	$20,742	$ 2,000	$18,742
Finite-lived intangible assets:									
Franchises with finite lives	$ 103	$ 24	$ 79	$ 99	$ 15	$ 84	$ 99	$ 6	$ 93

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Franchise amortization expense for the year ended December 31, 2002 was $9 million, which represents the amortization relating to franchises that did not qualify for indefinite-life treatment under SFAS No. 142, including costs associated with franchise renewals. For each of the next five years, amortization expense relating to these franchises is expected to be approximately $8 million. Franchise amortization expense for the years ended December 31, 2001 and was $1.4 billion and $1.4 billion, respectively.

As required by SFAS No. 142, the standard has not been retroactively applied to the results for the period prior to adoption. A reconciliation of net loss for tl year ended December 31, 2002, 2001 and 2000, as if SFAS No. 142 had been adopted as of January 1, 2000, is presented below (in millions):

	Year ended December 31,		
	2002	2001	200
NET LOSS:			
Reported net loss applicable to common stock	$(2,517)	$(1,168)	$ (85
Add back: amortization of indefinite—lived franchises	—	1,453	1,34
Less: minority interest	—	(808)	(80
Adjusted net loss applicable to common stock	$(2,517)	$ (523)	$ (31
BASIC AND DILUTED LOSS PER COMMON SHARE:			
Reported net loss per share	$ (8.55)	$ (4.33)	$(3.8
Add back: amortization of indefinite—lived franchises	—	5.39	5.9
Less: minority interest	—	(3.00)	(3.5
Adjusted net loss per share	$ (8.55)	$ (1.94)	$(1.4

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2002, 2001 and 2000 (in millions):

	2002	2001	2000
Accounts payable	$ 290	$ 297	$ 364
Capital expenditures	141	196	285
Accrued interest	243	230	193
Programming costs	237	191	173
Accrued general and administrative	126	119	72
Franchise fees	68	62	53
State sales tax	67	52	29
Other accrued expenses	233	232	174
	$1,405	$1,379	$1,343

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10. Long-Term Debt

Long-term debt consists of the following as of December 31, 2002, 2001 and 2000 (in millions):

	2002		2001		2000	
	Face Value	Accreted Value	Face Value	Accreted Value	Face Value	Accreted Value
Long-Term Debt						
Charter Communications, Inc.:						
October and November 2000						
5.75% convertible senior notes due 2005	$ 750	$ 750	$ 750	$ 750	$ 750	$ 75[illegible]
May 2001						
4.75% convertible senior notes due 2006	633	633	633	633	—	—
Charter Holdings:						
March 1999						
8.250% senior notes due 2007	600	599	600	599	600	59[illegible]
8.625% senior notes due 2009	1,500	1,497	1,500	1,497	1,500	1,49[illegible]
9.920% senior discount notes due 2011	1,475	1,307	1,475	1,187	1,475	1,07[illegible]
January 2000						
10.000% senior notes due 2009	675	675	675	675	675	67[illegible]
10.250% senior notes due 2010	325	325	325	325	325	32[illegible]
11.750% senior discount notes due 2010	532	421	532	376	532	33[illegible]
January 2001						
10.750% senior notes due 2009	900	900	900	899	—	—
11.125% senior notes due 2011	500	500	500	500	—	—
13.500% senior discount notes due 2011	675	454	675	398	—	—
May 2001						
9.625% senior notes due 2009	350	350	350	350	—	—
10.000% senior notes due 2011	575	575	575	575	—	—
11.750% senior discount notes due 2011	1,018	693	1,018	618	—	—
January 2002						
9.625% senior notes due 2009	350	348	—	—	—	—
10.000% senior notes due 2011	300	298	—	—	—	—
12.125% senior discount notes due 2012	450	280	—	—	—	—
Senior bridge loan facility	—	—	—	—	273	273
Renaissance:						
10.00% senior discount notes due 2008	114	113	114	104	114	95
CC V Holdings:						
11.875% senior discount notes due 2008	180	163	180	146	180	132
Other long-term debt	1	1	1	1	2	2
Credit Facilities						
Charter Operating	4,542	4,542	4,145	4,145	4,432	4,432
CC Michigan, LLC and CC New England, LLC (Avalon)	—	—	—	—	213	213
CC VI	926	926	901	901	895	895
Falcon Cable	1,155	1,155	582	582	1,050	1,050
CC VIII Operating	1,166	1,166	1,082	1,082	712	712
	$19,692	$18,671	$17,513	$16,343	$13,728	$13,061

The accreted values presented above represent the face value of the notes less the original issue discount at the time of sale plus the accretion to the balance sheet date.

5.75% Charter Convertible Notes. In October and November 2000, the Company issued 5.75% convertible senior notes with an aggregate principal amount at maturity of $750 million (the "5.75% Charter Convertible Notes"). The net proceeds of $728 million were used to repay certain amounts outstanding under the Charter Holdings 2000 senior bridge loan facility. The 5.75% Charter Convertible Notes are convertible at the option of the holder into shares of

Class A common stock at a conversion rate of .2 shares per $1,000 principal amount of notes, which is equivalent to a price of $21.56 per share, su certain adjustments. Specifically, the adjustme .ude anti–dilutive provisions, which cause adjustments to occur automatically based on the occurre specified events to provide protection rights to : of the notes. Additionally, the conversion ratio may be adjusted by the Company when deemed appropriate. These notes are redeemable at the .of the Company at amounts decreasing from 102.3% to 100% of the principal amount plus accrued unpaid interest beginning on October 15, 2002, date of redemption. Interest is payable semiannually on April 15 and October 15, beginning April 1 until maturity on October 15, 2005.

4.75% Charter Convertible Notes. In May 2001 ompany issued 4.75% convertible senior notes with an aggregate principal amount at maturity of $ million (the "4.75% Charter Convertible Notes" net proceeds of $609 million were used to repay certain amounts outstanding under the revolving p of the credit facilities of the Company's subsidia .d for general corporate purposes, including capital expenditures. The 4.75% Charter Convertible N convertible at the option of the holder into shares ss A common stock at a conversion rate of 38.0952 shares per $1,000 principal amount of notes, equivalent to a price of $26.25 per share, subject .ain adjustments. Specifically, the adjustments include anti–dilutive provisions, which automatical based on the occurrence of specified events to pr .rotection rights to holders of the notes. Additionally, the conversion ratio may be adjusted by the Company when deemed appropriate. These notes deemable at the option of the Company at amounts decreasing from 101.9% to 100% of the princi amount, plus accrued and unpaid interest beginni une 4, 2004, to the date of redemption. Interest is payable semiannually on December 1 and June beginning December 1, 2001, until maturity on Ju 006.

The 5.75% Charter Convertible Notes and the 4.75 arter Convertible Notes rank equally with any future unsubordinated and unsecured indebtedness Charter, but are structurally subordinated to all ex. nd future indebtedness and other liabilities of the Company's subsidiaries. Upon a change of con subject to certain conditions and restrictions, the C. y may be required to repurchase the notes, in whole or in part, at 100% of their principal amount accrued interest at the repurchase date.

March 1999 Charter Holdings Notes. In March 199 arter Holdings and Charter Communications Holdings Capital Corporation ("Charter Capital") (collectively, the "Issuers") issued $3.6 billion princ. .mount of senior notes. The March 1999 Charter Holdings notes consisted of $600 million in agg principal amount of 8.250% senior notes due 2007, illion in aggregate principal amount of 8.625% senior notes due 2009, and $1.5 billion in aggreg principal amount at maturity of 9.920% senior disco .tes due 2011. The net proceeds of approximately $2.9 billion, combined with the borrowings un Company's credit facilities, were used to consumma. der offers for publicly held debt of several of the Company's subsidiaries, as described below, to refinance borrowings under the Company's previous t facilities, for working capital purposes and to finance acquisitions.

The 8.250% senior notes are not redeemable prior to rity. Interest is payable semiannually in arrears on April 1 and October 1, beginning October 1, 1 until maturity.

The 8.625% senior notes are redeemable at the option e Issuers at amounts decreasing from 104.313% to 100% of par value plus accrued and unpaid i beginning on April 1, 2004, to the date of redemption. rest is payable semiannually in arrears on April 1 and October 1, beginning October 1, 1999, unt maturity.

The 9.920% senior discount notes are redeemable at th tion of the Issuers at amounts decreasing from 104.960% to 100% of accreted value beginning A 2004. Thereafter, cash interest is payable semiannuall rrears on April 1 and October 1 beginning October 1, 2004, until maturity. The discount on the 9.920% senior discount notes is being accreted using th fective interest method.

January 2000 Charter Holdings Notes. In January 2000 harter Holdings and Charter Capital issued $1.5 billion principal amount of senior notes. The Jan 2000 Charter Holdings notes consisted of $675 million ggregate principal amount of 10.000% senior notes due 2009, $325 million in aggregate principa amount of 10.250% senior notes due 2010, and $532 m n in aggregate principal amount at maturity of 11.750% senior discount notes due

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2010. The net proceeds of approximately $1.25 billion were used to consummate change of control offers for certain of the Falcon, Avalon and Bresn and debentures.

The 10.000% senior notes are not redeemable prior to maturity. Interest is payable semiannually on April 1 and October 1, beginning April 1, 2000 until maturity.

The 10.250% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.125% to 100% of par value plus accrued and unpai interest beginning on January 15, 2005, to the date of redemption. Interest is payable semiannually in arrears on January 15 and July 15, beginning on Jul 2000, until maturity.

The 11.750% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 105.875% to 100% of accreted value beginning January 15, 2005. Interest is payable semiannually in arrears on January 15 and July 15, beginning on July 15, 2005, until maturity. The discount on the 1 senior discount notes is being accreted using the effective interest method.

January 2001 Charter Holdings Notes. In January 2001, Charter Holdings and Charter Capital issued $2.1 billion in aggregate principal amount of senior The January 2001 Charter Holdings notes consisted of $900 million in aggregate principal amount of 10.750% senior notes due 2009, $500 million in aggr principal amount of 11.125% senior notes due 2011 and $675 million in aggregate principal amount at maturity of 13.500% senior discount notes due 2011 net proceeds of approximately $1.72 billion were used to repay all remaining amounts then outstanding under the Charter Holdings 2000 senior bridge loar facility and the CC VI revolving credit facility and a portion of the amounts then outstanding under the Charter Operating and CC VII revolving credit facil and for general corporate purposes.

The 10.750% senior notes are not redeemable prior to maturity. Interest is payable semiannually in arrears on April 1 and October 1, beginning October 1, until maturity.

The 11.125% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.563% to 100% of par value plus accrued and unpaid interest beginning on January 15, 2006, to the date of redemption. At any time prior to January 15, 2004, the Issuers may redeem up to 35% of the aggregat principal amount of the 11.125% senior notes at a redemption price of 111.125% of the principal amount under certain conditions. Interest is payable semiannually in arrears on January 15 and July 15, beginning July 15, 2001, until maturity.

The 13.500% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 106.750% to 100% of accreted value beginning January 15, 2006. At any time prior to January 15, 2004, the Issuers may redeem up to 35% of the aggregate principal amount of the 13.500% senior discou notes at a redemption price of 113.500% of the accreted value under certain conditions. Thereafter, cash interest is payable semiannually in arrears on Januai and July 15 beginning July 15, 2006, until maturity. The discount on the 13.500% senior discount notes is being accreted using the effective interest method.

May 2001 Charter Holdings Notes. In May 2001, Charter Holdings and Charter Capital issued $1.94 billion in aggregate principal amount of senior notes. T May 2001 Charter Holdings notes consisted of $350 million in aggregate principal amount of 9.625% senior notes due 2009, $575 million in aggregate princ amount of 10.000% senior notes due 2011 and $1.0 billion in aggregate principal amount at maturity of 11.750% senior discount notes due 2011. The net proceeds of approximately $1.47 billion were used to pay a portion of the purchase price of the AT&T transactions, repay all amounts outstanding under the Charter Operating and Falcon Cable revolving credit facilities and for general corporate purposes, including capital expenditures.

The 9.625% senior notes are not redeemable prior to maturity. Interest is payable semiannually in arrears on May 15 and November 15, beginning November 2001, until maturity.

The 10.000% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.000% to 100% of par value plus accrued and unpaid interest beginning on May 15, 2006, to the date of redemption. At any time prior

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to May 15, 2004, the Issuers may redeem up to 35% of the aggregate principal amount of the 10.000% senior notes at a redemption price of 110.000% of the principal amount under certain conditions. Interest is payable semiannually in arrears on May 15 and November 15, beginning November 15, 2001, until maturity.

The 11.750% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 105.875% to 100% of accreted value beginning January 15, 2006. At any time prior to May 15, 2004, the Issuers may redeem up to 35% of the aggregate principal amount of the 11.750% senior discount n at a redemption price of 111.750% of the accreted value under certain conditions. Thereafter, cash interest is payable semiannually in arrears on May 15 and November 15 beginning November 15, 2006, until maturity. The discount on the 11.750% senior discount notes is being accreted using the effective interest method.

January 2002 Charter Holdings Notes. In January 2002, Charter Holdings and Charter Capital, issued $1.1 billion in aggregate principal amount at maturity senior notes and senior discount notes. The January 2002 Charter Holdings notes consisted of $350 million in aggregate principal amount of 9.625% senior n due 2009, $300 million in aggregate principal amount of 10.000% senior notes due 2011 and $450 million in aggregate principal amount at maturity of 12.12 senior discount notes due 2012. The net proceeds of approximately $873 million were primarily used to repay a portion of the amounts outstanding under the revolving credit facilities of the Company's subsidiaries.

The 9.625% senior notes are not redeemable prior to maturity. Interest is payable semi-annually in arrears on May 15 and November 15, beginning May 15, 2002, until maturity.

The 10.000% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.000% to 100% of par value plus accrued and unpaid interest beginning on May 15, 2006, to the date of redemption. At any time prior to May 15, 2004, the Issuers may redeem up to 35% of the aggregate princip amount of the 10.000% senior notes at a redemption price of 110.000% of the principal amount under certain conditions. Interest is payable semi-annually in arrears on May 15 and November 15, beginning May 15, 2002, until maturity.

The 12.125% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 106.063% to 100% of accreted value beginning January 15, 2007. At any time prior to January 15, 2005, the issuers may redeem up to 35% of the aggregate principal amount of the 12.125% senior discount notes at a redemption price of 112.125% of the accreted value under certain conditions. Cash interest is payable semi-annually in arrears on January 15 and July 15 beginning July 15, 2007, until maturity. The discount on the 12.125% senior discount notes is being accreted using the effective interest method.

Renaissance Notes. In connection with the acquisition of Renaissance in April 1999, the Company assumed $163 million principal amount at maturity of 10.000% senior discount notes due 2008 of which $49 million was repurchased in May 1999. The Renaissance notes do not require the payment of interest unt April 15, 2003. From and after April 15, 2003, the Renaissance notes bear interest, payable semi-annually in cash, on April 15 and October 15, commencing o October 15, 2003. The Renaissance notes are due on April 15, 2008.

CC V Holdings Notes. Charter Holdco acquired CC V Holdings in November 1999 and assumed CC V Holdings' outstanding 11.875% senior discount notes d 2008 with an accreted value of $123 million and $150 million in principal amount of 9.375% senior subordinated notes due 2008. After December 1, 2003, cas interest on the CC V Holdings 11.875% notes will be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2004. In addition, a principal payment of $66 million is due on December 1, 2003.

In January 2000, through change of control offers and purchases in the open market, the Company repurchased all of the $150 million aggregate principal amount of the CC V Holdings 9.375% notes. Contemporaneously, the Company completed change of control offers in which it repurchased $16 million aggregate principal amount at maturity of the 11.875% senior discount notes.

High Yield Restrictive Covenants; Limitation on Indebtedness. The indentures governing the public notes of the

Company's subsidiaries contain certain covenants that restrict the ability of Charter Holdings, Charter Capital, the CCV notes issuers, Renaissance Media Grc and all of their restricted subsidiaries to:

- incur additional debt;
- pay dividends on equity or repurchase equity;
- grant liens;
- make investments;
- sell all or substantially all of their assets or merge with or into other companies;
- sell assets;
- enter into sale–leasebacks;
- in the case of restricted subsidiaries, create or permit to exist dividend or payment restrictions with respect to the bond issuers, guarantee their paren companies debt, or issue specified equity interests; and
- engage in certain transactions with affiliates.

Charter Operating Credit Facilities. The Charter Operating credit facilities provide for borrowings of up to $5.2 billion and provide for four term facilities: two Term A facilities with an aggregate principal amount of $1.11 billion that matures in September 2007, each with different amortization schedules, one beginnin in June 2002 and one beginning in September 2005; and two Term B facilities with an aggregate principal amount of $2.73 billion, of which $1.84 billion matures in March 2008 and $893 million matures in September 2008. The Charter Operating credit facilities also provide for two revolving credit facilities, in a aggregate amount of $1.34 billion, which will reduce annually beginning in March 2004 and September 2005, with a maturity date in September 2007. At the option of the lenders, supplemental credit facilities in the amount of $100 million may be available. Amounts under the Charter Operating credit facilities bear interest at the Base Rate or the Eurodollar rate, as defined, plus a margin of up to 2.75% for Eurodollar loans (4.58% to 3.13% as of December 31, 2002) and 1.75% for base rate loans. A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of the revolving credit facilities. As of December 31, 2002, outstanding borrowings were approximately $4.5 billion and the unused total potential availability was $633 million although financial covenants limited our availability to $318 million as of December 31, 2002.

CC VI Operating Credit Facilities. The CC VI Operating credit facilities provide for two term facilities, one with a principal amount of $450 million that mature May 2008 (Term A), and the other with a principal amount of $400 million that matures November 2008 (Term B). The CC VI Operating credit facilities also provide for a $350 million reducing revolving credit facility with a maturity date in May 2008. At the option of the lenders, supplemental credit facilities in the amount of $300 million may be available until December 31, 2004. Amounts under the CC VI Operating credit facilities bear interest at the base rate or the Eurodollar rate, as defined, plus a margin of up to 3.0% for Eurodollar loans (4.31% to 2.62% as of December 31, 2002) and 2.0% for base rate loans. A quarterly commitment fee of between 0.250% and 0.375% per annum is payable on the unborrowed balance of the Term A facility and the revolving facility. As of December 31, 2002, outstanding borrowings were $926 million and unused total potential availability was $274 million although financial covenants limited our availability to $127 million as of December 31, 2002.

Falcon Cable Credit Facilities. The Falcon Cable credit facilities provide for two term facilities, one with a principal amount of $192 million that matures June 2007 (Term B), and the other with the principal amount of $288 million that matures December 2007 (Term C). The Falcon Cable credit facilities also provide for a reducing revolving facility of up to approximately $68 million (maturing in December 2006), a reducing supplemental facility of up to $110 million (maturing in December 2007) and a second reducing revolving facility of up to $670 million (maturing in June 2007). At the option of the lenders, supplemental credit facilities in the amount of up to $486 million may also be available. Amounts under the Falcon Cable credit facilities bear interest at the base rate or the Eurodollar rate, as defined, plus a margin of up to 2.5% for Eurodollar loans (4.07% to 2.685% as of December 31, 2002) and up to 1.5% for base rate loans. A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of the revolving facilities. As of December 31, 2002, outstanding borrowings were $1.2 billion and unused total potential

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availability was $173 million, all of which would have been available based on financial covenants as of December 31, 2002.

CC VIII Operating Credit Facilities. The CC VIII Operating credit facilities provide for borrowings of up $1.49 billion as of December 31, 2002. The CC V credit facilities provide for three term facilities, two Term A facilities with a reduced current aggregate principal amount of $450 million, that continues redu quarterly until they reach maturity in June 2007, and a Term B facility with a reduced current principal amount of $495 million, that continues reducing quar until it reaches maturity in February 2008. The CC VIII Operating credit facilities also provide for two reducing revolving credit facilities, in the aggregate amount of $547 million, which will reduce quarterly beginning in March 2002 and September 2005, respectively, with maturity dates in June 2007. At the op of the lenders, supplemental facilities in the amount of $300 million may be available. Amounts under the CC VIII Operating credit facilities bear interest at base rate or the Eurodollar rate, as defined, plus a margin of up to 2.75% for Eurodollar loans (4.54% to 2.89% as of December 31, 2002) and up to 1.75% fo base rate loans. A quarterly commitment fee of between 0.250% and 0.375% is payable on the unborrowed balance of the revolving credit facilities. As of December 31, 2002, outstanding borrowings were $1.2 billion, and unused total potential availability was $326 million, all of which would have been availab based on financial covenants as of December 31, 2002.

Obligations under the credit facilities of the Company's subsidiaries are guaranteed by each respective subsidiary's parent and by each of their operating subsidiaries. The obligations under the credit facilities of the Company's subsidiaries are secured by pledges of all equity interests owned by each subsidiary a its operating subsidiaries in other persons, and intercompany obligations owing to each subsidiary and/or its operating subsidiaries by their affiliates, but are n secured by the other assets of each subsidiary or its operating subsidiaries. The obligations under each subsidiary's credit facilities are also secured by pledges the subsidiary's parent of all equity interests it holds in other persons, and intercompany obligations owing to it by its affiliates, but are not secured by the oth assets of the subsidiary's parent.

Each of the credit facilities of the Company's subsidiaries contain representations and warranties, affirmative and negative covenants similar to those describe above with respect to the indentures governing the public notes of the Company's subsidiaries, information requirements, events of default and financial covenants. The financial covenants, which are generally tested on a quarterly basis, measure performance against standards set for leverage, debt service coverage, and operating cash flow coverage of cash interest expense. Additionally, the credit facilities contain provisions requiring mandatory loan prepaymen under specific circumstances, including when significant amounts of assets are sold and the proceeds are not promptly reinvested in assets useful in the busine of the borrower. The Charter Operating credit facility also provides that in the event that any existing Charter Holdings notes or other long-term indebtedness Charter Holdings remain outstanding on the date, which is six months prior to the scheduled final maturity, the term loans under the Charter Operating credit facility will mature and the revolving credit facilities will terminate on such date.

In the event of a default under the Company's subsidiaries' credit facilities or public notes, the subsidiaries' creditors could elect to declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be due and payable. In such event, the subsidiaries' credit facilities and indentures that were so accelerated or were otherwise in default will not permit the Company's subsidiaries to distribute funds to Charter Holdco or the Company to pay intere or principal on the public notes. If the amounts outstanding under such credit facilities or public notes are accelerated, all of the subsidiaries' debt and liabilitie would be payable from the subsidiaries' assets, prior to any distribution of the subsidiaries' assets to pay the interest and principal amounts on the public notes. addition, the lenders under the Company's credit facilities could foreclose on their collateral, which includes equity interests in the Company's subsidiaries, an exercise other rights of secured creditors. In any such case, the Company might not be able to repay or make any payments on its public notes. Additionally, su a default would cause a cross-default in the indentures governing the Charter Holdings notes and the convertible senior notes and would trigger the cross-defa provision of the Charter Operating Credit Agreement. Any default under any of the subsidiaries' credit facilities or public notes might adversely affect the holders of the Company's public notes and the Company's growth, financial condition and results of operations and could force the Company to examine all options, including seeking the protection of the bankruptcy laws.

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Backup Credit Facility. Effective April 14, 2003, the Company entered into a commitment letter with Vulcan Inc., which is an affiliate of Paul Allen, pursu which Vulcan Inc. or an affiliate (the "lender") would lend initially to Charter Communications VII, LLC an aggregate amount of up to $300 million, which amount includes a subfacility of up to $100 million for the issuance of letters of credit. The borrower would be able to draw under the facility or have letters credit issued, in each case within five business days of the end of each quarter ending on or prior to March 31, 2004. The loans and letters of credit could be used to repay loans, or replace letters of credit, under the Company's operating subsidiaries' credit facilities to the extent required to comply with the leverag ratios under those credit facilities or to create cushions in excess of the minimum amount necessary to comply with such ratios. The facility would be guaran by the Company and certain of its subsidiaries and would be secured by a lien on the Company's corporate headquarters in St. Louis and certain corporate aircraft. The Company would be required to use its commercially reasonable efforts to form a new interim holding company (CCH II, LLC) as a subsidiary c Charter Holdings and to cause Charter Holdings to transfer to it the equity interests in Charter Communications Operating LLC, CC VI Holdings, LLC, Cha Communications VII, LLC and CC V Holdings, LLC, which transfer the Company refers to as the equity contribution. The equity interests to be transferred the equity contribution have been pledged as security for the loans under the Charter Operating credit facility. The Company would also be required to use it commercially reasonable efforts to obtain the consent of the lenders under the Charter Operating credit facility to the grant to the lender of a second priority l on the equity interests transferred to CCH II, LLC. Upon the equity contribution, CCH II, LLC would become the borrower under the facility.

In addition to the liens on our corporate headquarters, on the corporate aircraft and on the equity interests transferred pursuant to the equity contribution, the facility would also be secured on a pari passu basis by liens or security interests granted on any assets or properties (other than assets or properties of CCH II, LLC, which shall secure the facility on a first priority basis, subject to the prior lien in favor of the lenders under Charter Operating credit facility on the equit interests transferred pursuant to the equity contribution) to secure any indebtedness of us or any of our subsidiaries (other than the operating company credit facilities and other ordinary and customary exceptions to be determined).

The interest rate on the loans would be initially 13% per annum, reducing to 12% per annum at such time as CCH II, LLC became the borrower under the facility. If the borrower were unable to receive funds from its operating subsidiaries to pay such interest, the borrower would be able to pay interest by deliver additional notes to the lender in the amount of the accrued interest calculated at the rate of 15% per annum, reducing to 14% per annum for any issuance after CCH II, LLC became the borrower under the facility. Such additional notes would bear interest at the same rate as, and otherwise be on the same terms as, the notes issued to represent the original loans under the facility. Upon the occurrence of an event of default, the interest rate would be increased by 2% per annur over the interest rate otherwise applicable.

If letters of credit are issued pursuant to the facility, the borrower would pay a letter of credit fee of 8% per annum of the face amount of the letter of credit.

The borrower would pay the lender a facility fee of 1.5% of the amount of the facility, payable over three years (with 0.5% being earned upon execution of the commitment letter and 1.0% being earned upon execution of the definitive documentation). In addition to the facility fee, the borrower would pay a commitme fee on the undrawn portion of the facility in the amount of 0.5% per annum commencing upon execution of the definitive documentation.

The borrower would have the right to terminate the facility at any time that no loans or letters of credit are outstanding, although any fees earned prior to termination would remain payable. No amortization payments would be required prior to maturity. The facility would mature on November 12, 2009, provided that at such time as CCH II, LLC became the borrower under the facility the maturity date would become March 1, 2007. The loan may not be prepaid prior to March 31, 2004, but the borrower would have the right to make prepayments at any time after March 31, 2004, without the payment of any premium or penalty The borrower would be required to offer to purchase outstanding notes evidencing the loans under the facility with the proceeds of certain asset sales and debt issuances.

The definitive documentation would contain customary representations, covenants, events of default and indemnification provisions including a total leverage covenant and an interest coverage covenant, in each case modeled after the comparable covenants in the operating company credit facilities, with appropriate adjustments to be determined.

The facility is subject to the negotiation and execution of definitive documentation by June 30, 2003. If the parties have not executed the definitive documentation by that date, the facility will terminate. Once the documentation has been executed, the borrower's ability to draw on the facility would be subjec to certain conditions, such as the use of other available funds for covenant compliance purposes, evidence of compliance with financial covenants, accuracy of representations and warranties, no material adverse change having occurred, there being no default under other credit facilities and indentures, and receipt of financial statements. Although the Company believes that it will be able to satisfy those conditions, there can be no assurance that the Company will be able to c so or that if

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the Company fails to do so it will be able to negotiate waivers of such conditions.

Based upon outstanding indebtedness as of December 31, 2002, the amortization of term loans, scheduled reductions in available borrowings of the revolving credit facilities, and the maturity dates for all senior and subordinated notes and debentures, aggregate future principal payments on the total borrowings unde debt agreements as of December 31, 2002, are as follows:

Year	Amount
	(In millions)
2003	$ 236
2004	193
2005	1,210
2006	1,991
2007	2,647
Thereafter	13,415
	$19,692

For the amounts of debt scheduled to mature during 2003, it is management's intent to fund the repayments from borrowings on the Company's revolving cre facility. The accompanying balance sheet reflects this intent by presenting all debt balances as long-term while the table above reflects actual debt maturities : of the stated date.

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11. Minority Interest and Equity Interests of Charter Holdco

The Company is a holding company whose primary asset is a controlling equity interest in Charter Holdco, the indirect owner of the Company's cable system. Minority interest on the Company's consolidated balance sheets represents the ownership percentages of Charter Holdco not owned by the Company, or 53.5% of total members' equity of Charter Holdco, plus $668 million, $655 million and $641 million of preferred membership interests in CC VIII, LLC (CC VIII), indirect subsidiary of Charter Holdco, as of December 31, 2002, 2001 and 2000, respectively. As more fully described below, this preferred interest arises fro the approximately $629 million of preferred units issued by CC VIII in connection with the Bresnan acquisition in February, 2000. Members' equity of Chart Holdco was $662 million, $7.0 billion and $8.4 billion as of December 31, 2002, 2001 and 2000, respectively. Gains and losses arising from the issuance by Charter Holdco of its membership units are recorded as capital transactions, thereby increasing or decreasing shareholders' equity and decreasing or increasin minority interest on the accompanying consolidated balance sheets. Minority interest was 53.5%, 53.5% and 59.2% as of December 31, 2002, 2001 and 2000, respectively. Changes to minority interest consist of the following for the periods presented (in millions):

	Minority Interest
Balance, December 31, 1999	$ 5,381
Equity of subsidiaries issued to Bresnan sellers	1,014
Equity of subsidiaries classified as redeemable securities	(1,095)
Minority interest in loss of a subsidiary	(1,282)
Minority interest in income tax benefit	15
Option compensation expense, net	22
Impact of issuance of equity by Charter Holdco	445
Redeemable securities reclassified as minority interest	49
Other	(3)
Balance, December 31, 2000	4,546
Equity reclassified from redeemable securities (26,539,746 shares of Class A common stock)	1,096
Minority interest in loss of a subsidiary	(1,464)
Minority interest in change in accounting principle	(14)
Minority interest in income tax benefit	16
Option compensation expense, net	(2)
Changes in fair value of interest rate agreements	(22)
Gain on issuance of equity by Charter Holdco	253
Balance, December 31, 2001	4,409
Minority interest in loss of a subsidiary	(3,179)
Minority interest in change in accounting principle	(306)
Minority interest in income tax benefit	132
Option compensation expense, net	3
Changes in fair value of interest rate agreements	(35)
Gain on issuance of equity by Charter Holdco	1
Balance, December 31, 2002	$ 1,025

In February 2000, Charter Holdco issued 15 million membership units for approximately $25 per share, or $385 million, primarily to the Comcast sellers as partial consideration for the Bresnan acquisition thereby decreasing Charter's ownership percentage of Charter Holdco to 40% from 41% immediately preceding the transaction. These transactions resulted in a loss on issuance of equity by Charter Holdco of $51 million. In September 2000, Charter Holdco issued 12 million membership units to Charter for approximately $15 per share in exchange for $178 million of equity interest of two businesses acquired by Charter and contributed to Charter Holdco thereby increasing Charter's ownership percentage of Charter Holdco to 41% from 40% immediately preceding the transaction. This

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transaction resulted in a loss on issuance of equity by Charter Holdco of $5 million. In May 2001, Charter Holdco issued 60 million membership units to Ch for approximately $20 per share in exchange for $1.2 billion of proceeds from issuance of Charter common stock thereby increasing Charter's ownership percentage of Charter Holdco to 46% from 41% immediately preceding the transaction. This transaction resulted in a gain on issuance of equity by Charter Holdco of $236 million.

As part of the Bresnan acquisition in February 2000, CC VIII, an indirect limited liability company subsidiary of Charter, issued Class A Preferred Members Interests (collectively, the CC VIII Interest) with a value and an initial capital account of approximately $630 million to certain sellers affiliated with AT&T Broadband, now owned by Comcast Corporation (the Comcast Sellers). The CC VIII Interest is entitled to a 2% priority return on its initial capital amount ar such priority return is entitled to preferential distributions from available cash and upon liquidation of CC VIII. The CC VIII Interest generally does not shar the profits and losses of CC VIII at present. The Comcast Sellers have the right at their option to exchange the CC VIII Interest for shares of Charter Class A common stock. Charter does not have the right to force such an exchange. In connection with the Bresnan acquisition, Mr. Allen granted the Comcast Sellers right to sell to Mr. Allen the CC VIII Interest (or any Charter Class A common stock that the Comcast Sellers would receive if they exercised their exchange right) for approximately $630 million plus 4.5% interest annually from February 2000 (the Comcast Put Right). In April 2002, in accordance with such put agreement, the Comcast Sellers notified Mr. Allen of their exercise of the Comcast Put Right in full, and the parties agreed to consummate the sale in April 2(although the parties also agreed to negotiate in good faith possible alternatives to the closing. On April 9, 2003, the parties agreed to extend the closing for up thirty days. If the sale to Mr. Allen is consummated, Mr. Allen would become the holder of the CC VIII Interest (or, if previously exchanged by the current holders, any Charter Class A common stock issued to the current holders upon such exchange). If the CC VIII Interest is transferred to Mr. Allen, then, subjec the matters referenced in the next paragraph, Mr. Allen generally thereafter would be allocated his pro rata share (based on number of membership interests outstanding) of profits or losses of CC VIII. In the event of a liquidation of CC VIII, Mr. Allen would not be entitled to any priority distributions (except with respect to the 2% priority return, as to which such priority would continue), and Mr. Allen's share of any remaining distributions in liquidation would be equa the initial capital account of the Comcast Sellers of approximately $630 million, increased or decreased by Mr. Allen's pro rata share of CC VIII's profits or losses (as computed for capital account purposes) after the date of the transfer of the CC VIII Interest to Mr. Allen.

An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VI Interest following consummation of the Comcast Put Right. Charter's Board of Directors has formed a Special Committee comprised of Messrs. Tory, Wangb and Nelson to investigate and take any other appropriate action on behalf of the Company with respect to this matter. Specifically, the Special Committee is considering whether it should be the position of Charter that Mr. Allen should be required to contribute the CC VIII Interest to Charter Holdco in exchange fo Charter Holdco membership units, immediately after his acquisition of the CC VIII Interest upon consummation of the Comcast Put Right. To the extent it is ultimately determined that Mr. Allen must contribute the CC VIII Interest to Charter Holdco following consummation of the Comcast Put Right, the Special Committee may also consider what additional steps, if any, should be taken with respect to the further disposition of the CC VIII Interest by Charter Holdco. I necessary, following the completion of the Special Committee's investigation of the facts and circumstances relating to this matter, the Special Committee and Mr. Allen have agreed to a non-binding mediation process to resolve any dispute relating to this matter as soon as practicable, but without any prejudice to an rights of the parties if such dispute is not resolved as part of the mediation.

12. Redeemable Securities

In connection with several acquisitions in 1999 and 2000, sellers who acquired Charter Holdco membership units, additional equity interests in a subsidiary of Charter Holdings or shares of Class A common stock in Charter's initial public offering received potential rescission rights against Charter and Charter Holdco arising out of possible violations of Section 5 of the Securities Act of 1933, as amended, in connection with the offers and sales of these equity interests. Accordingly, the maximum potential cash obligation related to the rescission rights, estimated at

$1.1 billion as of December 31, 2000, has been excluded from shareholders' equity or minority interest and classified as redeemable securities on the consolidated balance sheet.

In February 2001, all remaining rescission rights associated with the redeemable securities expired without the security holders requesting repurchase of their securities. Accordingly, the Company reclassified the respective amounts to minority interest and shareholders' equity, as applicable.

13. Preferred Stock — Redeemable

On August 31, 2001, in connection with its acquisition of Cable USA, Inc. and certain cable system assets from affiliates of Cable USA, Inc., the Company issued 505,664 shares of Series A Convertible Redeemable Preferred Stock (the Preferred Stock) valued at and with a liquidation preference of $51 million. Holders of the Preferred Stock have no voting rights but are entitled to receive cumulative cash dividends at an annual rate of 5.75%, payable quarterly. If for reason Charter fails to pay the dividends on the Preferred Stock on a timely basis, the dividend rate on each share increases to an annual rate of 7.75% until the payment is made. The Preferred Stock is redeemable by Charter at its option on or after August 31, 2004 and must be redeemed by Charter at any time upon a change of control, or if not previously redeemed or converted, on August 31, 2008. The Preferred Stock is convertible, in whole or in part, at the option of the holders from April 1, 2002 through August 31, 2008, into shares of common stock at an initial conversion rate equal to a conversion price of $24.71 per share of common stock, subject to certain customary adjustments. The redemption price per share of Preferred Stock is the Liquidation Preference of $100, subject to certain customary adjustments. In the first quarter of 2003, the Company issued 39,595 additional shares of preferred stock valued at and with a liquidation preference of $4 million.

14. Comprehensive Loss

Certain marketable equity securities are classified as available–for–sale and reported at market value with unrealized gains and losses recorded as accumulated other comprehensive loss on the accompanying consolidated balance sheets. The Company reports changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating–rate debt obligations, that meet the effectiveness criteria of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," in accumulated other comprehensive loss. Comprehensive loss for the years ended December 31, 2002, 2001 and 2000 was $2.5 billion, $1.2 billion and $0.9 billion, respectively.

15. Accounting for Derivative Instruments and Hedging Activities

The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) as required under the terms of its credit facilities. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company agrees to exchange, at specified intervals through 2007, the difference between fixed and variable interest amounts calculated by reference to an agreed–upon notional principal amount. Interest rate collar agreements are used to limit the Company's exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

Effective January 1, 2001, the Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." Interest rate agreements are recorded in the consolidated balance sheet at December 31, 2002 and 2001 as either an asset or liability measured at fair value. In connection with the adoption of SFAS No. 133, the Company recorded a loss of $10 million (approximately $24 million before minority interest effects) as the cumulative effect of change in accounting principle. The effect of adoption was to increase net loss and loss per share by $10 million and $0.04 per share, respectively, for the year ended December 31, 2001.

The Company has certain interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments are those that effectively convert variable interest payments on certain debt instruments into fixed payments. For qualifying hedges, SFAS No. 133 allows derivative gains and losses to offset related results on hedged items in the consolidated statement of operations. The Company has formally documented, designated and assessed the effectiven transactions that receive hedge accounting. For the years ended December 31, 2002 and 2001, other expense includes $14 million and $2 million, respectiv losses, which represent cash flow hedge ineffectiveness on interest rate hedge agreements arising from differences between the critical terms of the agreem and the related hedged obligations. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating–rate debt obligations are reported in accumulated other comprehensive loss. For the year ended December 31, 2002 and 2001, a los $65 million and $39 million, respectively, related to derivative instruments designated as cash flow hedges was recorded in accumulated other comprehensi loss and minority interest. The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period in which the related inte on the floating–rate debt obligations affects earnings (losses).

Certain interest rate derivative instruments are not designated as hedges as they do not meet the effectiveness criteria specified by SFAS No. 133. However, management believes such instruments are closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments no designated as hedges are marked to fair value with the impact recorded as loss on interest rate agreements. For the years ended December 31, 2002 and 200 Company recorded other expense of $101 million and $48 million, respectively, for interest rate derivative instruments not designated as hedges.

As of December 31, 2002, 2001 and 2000, the Company had outstanding $3.4 billion, $3.3 billion and $1.9 billion and $520 million, $520 million and $520 million, respectively, in notional amounts of interest rate swaps and collars, respectively. Additionally, at December 31, 2000, the Company had $15 million interest rate caps. The notional amounts of interest rate instruments do not represent amounts exchanged by the parties and, thus, are not a measure of exposi credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

16. Fair Value of Financial Instruments

The Company has estimated the fair value of its financial instruments as of December 31, 2002, 2001 and 2000 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company woul realize in a current market exchange.

The carrying amounts of cash, receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments. The Company is exposed to market price risk volatility with respect to investments in publicly traded and privately held entities.

The fair value of interest rate agreements represents the estimated amount the Company would receive or pay upon termination of the agreements. Managem believes that the sellers of the interest rate agreements will be able to meet their obligations under the agreements. In addition, some of the interest rate agreements are with certain of the participating banks under the Company's credit facilities, thereby reducing the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of major counterparties. Nonperformance by the counterparties is not anticipated nor would it hav material adverse effect on the Company's consolidated financial position or results of operations.

The estimated fair value of the Company's notes, credit facilities and interest rate agreements at December 31, 2002, 2001 and 2000 are based on quoted mari prices or a discounted cash flow analysis using the Company's incremental borrowing rate for similar types of borrowing arrangements and dealer quotations.

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A summary of the carrying value and fair value of the Company's debt and related interest rate agreements at December 31, 2002, 2001 and 2000 is as follow (in millions):

	2002		2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt						
Charter convertible notes	$1,383	$ 295	$1,383	$1,327	$ 750	$ 87
Charter Holdings debt	9,222	3,867	7,999	7,964	4,780	4,42
Credit facilities	7,789	6,367	6,710	6,710	7,302	7,30
Other	277	212	251	237	229	19
Interest Rate Agreements						
Assets (Liabilities)						
Swaps	(258)	(258)	(80)	(80)	(1)	5
Collars	(34)	(34)	(34)	(34)	—	11

The weighted average interest pay rate for the Company's interest rate swap agreements was 7.40%, 7.22% and 7.61 % at December 31, 2002, 2001 and 2000 respectively. The Company's interest rate collar agreements are structured so that if LIBOR falls below 5.3%, the Company pays 6.7%. If the LIBOR rate is between 5.3% and 8.0%, the Company pays LIBOR. The LIBOR rate is capped at 8.0% if LIBOR is between 8.0% and 9.9%. If the LIBOR rate rises above 9.9%, the cap is removed.

17. Revenues

Revenues consist of the following for the years presented (in millions):

	Year Ended December 31,		
	2002	2001	2000
Analog video	$3,083	$2,768	$2,503
Digital video	457	307	89
High-speed data	340	155	55
Advertising sales	302	197	142
Other	384	380	352
	$4,566	$3,807	$3,141

18. Operating Expenses

Operating expenses consist of the following for the years presented (in millions):

	Year Ended December 31.		
	2002	2001	2000
Analog video programming	$1,012	$ 874	$ 741
Digital video programming	159	103	34
High-speed data	112	65	25
Advertising sales	87	64	57
Service	434	374	328
	$1,804	$1,480	$1,185

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19. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following for the years presented (in millions):

	Year Ended December 31,		
	2002	2001	20
General and administrative	$813	$696	$50
Marketing	153	136	10
	$966	$832	$60

20. Option Plans

The Company grants stock options, restricted stock and other incentive compensation pursuant to two plans — the 1999 Option Plan of Charter Holdco (the "1999 Plan") and the 2001 Stock Incentive Plan of Charter (the "2001 Plan"). The 1999 Plan provided for the grant of options to purchase membership units i Charter Holdco to current and prospective employees and consultants of Charter Holdco and its affiliates and current and prospective non–employee directors Charter. Options granted generally vest over five years from the grant date, with 25% vesting 15 months after the anniversary of the grant date and ratably thereafter. Options not exercised accumulate and are exercisable, in whole or in part, in any subsequent period, but not later than ten years from the date of gra Membership units received upon exercise of the options are automatically exchanged into Class A common stock of Charter on a one–for–one basis.

The 2001 Plan provides for the grant of non–qualified stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock and/or shares of restricted stock (not to exceed 3,000,000), as each term is defined in the 2001 Plan. Employees, officers, consultants and directors of the Company and its subsidiaries and affiliates are eligible to receive grants under the 2001 Plan. Options granted generally vest o four years from the grant date, with 25% vesting on the anniversary of the grant date and ratably thereafter. Generally, options expire 10 years from the grant date.

Together, the plans allow for the issuance of up to an aggregate of 90,000,000 shares of Charter Class A common stock (or units convertible into Charter Class common stock). The aggregate shares available reflects an October 2002 amendment to the 2001 Plan approved by the board of directors of Charter to increase available shares by 30,000,000 shares. However, the amendment is subject to shareholder approval and any grants with respect to these additional shares will no be exercisable unless and until the Company's shareholders approve the amendment. In 2001, any shares covered by options that terminated under the 1999 Pla were transferred to the 2001 Plan, and no new options were granted under the 1999 Plan. During September and October 2001, in connection with new employment agreements and related option agreements entered into by the Company, certain executives of the Company were awarded an aggregate of 256,000 shares of restricted Class A common stock, of which 26,250 shares were cancelled as of December 31, 2002. In January and February of 2003, an additional 92,813 shares were canceled. The shares vested 25% upon grant, with the remaining shares vesting monthly over a three–year period beginning after the first anniversary of the date of grant. As of December 31, 2002, deferred compensation remaining to be recognized in future periods totaled $1 million.

In September 2001, when the Company's former President and Chief Executive Officer terminated his employment, as part of his separation agreement he waived his right to an option to purchase approximately seven million Charter Holdco membership units, of which approximately 5 million had vested. Accordingly, the Company recorded a reversal of compensation expense previously recorded on unvested options of $22 million.

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A summary of the activity for the Company's stock options, excluding granted shares of restricted Class A common stock, for the years ended December 31 2002, 2001 and 2000, is as follows (options in thousands, except per share data):

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	46,558	$17.10	28,482	$19.24	20,758	$1[illegible]
Granted	13,122	4.88	29,395	16.01	10,247	1[illegible]
Exercised	—	—	(278)	19.23	(17)	2[illegible]
Cancelled	(6,048)	16.32	(11,041)	19.59	(2,506)	1[illegible]
Options outstanding, end of period	53,632	$14.22	46,558	$17.10	28,482	$19
Weighted average remaining contractual life	8 years		9 years		9 years	
Options exercisable, end of period	17,844	$17.93	9,994	$18.51	7,044	$19
Weighted average fair value of options granted	$ 2.89		$ 9.15		$ 9.63	

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2002:

Range of Exercise Prices	Options Outstanding: Number Outstanding (in thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Exercisable: Number Exercisable (in thousands)	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price
$ 1.11 — $ 2.85	9,184	10 years	$ 2.58	125	10 years	$ 1.5[illegible]
$ 9.13 — $ 13.96	19,676	9 years	12.20	4,330	9 years	12.5[illegible]
$ 14.31 — $ 20.00	16,180	7 years	19.04	11,024	7 years	19.3[illegible]
$ 20.46 — $ 23.09	8,592	8 years	22.21	2,365	8 years	22.1[illegible]

The Company uses the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," to account for the option plans. Option compensation expense of $5 million, a net option compensation benefit of $5 million and option compensation expense of $38 million for the years ended December 31, 2002, 2001 and 2000, respectively, was recorded in the consolidated statements of operations since the exercise prices of certain options were less than the estimated fair values of the underlying membership interests on the date of grant. A reversal of previously recognized option compensation expense of $22 million for the year ended December 31, 2001 was recorded in the consolidated statements of operations primarily in connection with the waiver of the right to approximately seven million options by the Company's former President and Chief Executive Officer as part of his September 2001 separation agreement. This was partially offset by expense recorded because exercise prices on certain options were less than the estimated fair values of the Company's stock at the time of grant. Estimated fair values were determined by the Company using the valuation inherent in the companies acquired by Paul G. Allen in 1998 and valuations of public companies in the cable television industry adjusted for factors specific to the Company. Compensation expense is being recorded with the method described in FIN 28 over the vesting period of the individual options that varies between four and five years. As of December 31, 2002, deferred compensation remaining to be recognized in future periods totaled $2 million. No stock option compensation expense was recorded for the options granted after November 8, 1999, since the exercise price was equal to the estimated fair value of the underlying membership interests or shares of Class A common stock on the date of grant. Since the membership units are exchangeable into Class A common stock of Charter on a one-for-one basis, the estimated fair value was equal to the quoted market values of Class A common stock.

On July 25, 2001, the Company issued options to purchase 186.3 es of Charter Class A common stock to a consultant in consideration of services to be rendered in the future, pursuant to an equity compensation plan a oved by shareholders. The options are exercisable immediately, at an exercise price of $20.46 per share and if not exercised prior to the tenth anniversar grant date, will expire. The Company accounts for options granted to consultants in accordance with the provisions of SFAS No. 123 and recorded op mpensation expense of $3 million on July 25, 2001. The fair value of the options, $13 per option, was estimated on the date of grant using the Black–Sch otion–pricing model and the following assumptions: risk–free interest rate of 5.7%; expected volatility of 49.3%; and an expected life of 10 years. The tion assumed no dividends are paid.

On January 1, 2003, the Company adopted the fair value measurem ovisions of SFAS No. 123, under which the Company will recognize compensation expense of a stock–based award to an employee over the vesting pe ased on the fair value of the award on the grant date. Adoption of these provisions wi result in utilizing a preferable accounting method as the consolidate ncial statements will present the estimated fair value of stock–based compensation in expense consistently with other forms of compensation and other ex associated with goods and services received for equity instruments. In accordance w SFAS No. 123 he fair value method will be applied only to awards ed or modified after January 1, 2003, whereas awards granted prior to such date will continue to be ccounted for under APB No. 25, unless they are mo or settled in cash. Management believes the adoption of these provisions will not hav a material imp t on the consolidated results of operations or financi ition of the Company. The ongoing effect on consolidated results of operations or financial positi n will be dependent upon future stock based compens awards granted. Had the Company adopted SFAS No. 123 as of January 1, 2002, using the prosp ctive method, option compensation expense for the y nded December 31, 2002 would have been $20 million.

21. Special Charges

In the fourth quarter of 2002, the Company recorded a special charge 5 million, of which $31 million is associated with its workforce reduction program a the consolidation of its operations from three divisions and ten region five operating divisions, elimination of redundant practices and streamlining its management structure. The remaining $4 million is related to legal an r costs associated with the Company's ongoing grand jury investigation, shareholde lawsuits and SEC investigation. The $31 million charge related to rea ent activities includes severance costs of $28 million and lease termination costs of $3 million. The Company intends to terminate approximately 1,400 em ees, of which 100 employees were terminated in the fourth quarter of 2002. As of December 31, 2002, a liability of approximately $31 million is record the accompanying consolidated balance sheet related to the realignment activities.

During the year ended December 31, 2001, the Company recorded $1 on in special charges that represent $15 million of costs associated with the transiti of approximately 145,000 (unaudited) data customers from the Excite ne Internet service to the Charter Pipeline Internet service, as well as $3 million associated with certain employee severance costs.

In December 2001, the Company implemented a restructuring plan to its workforce in certain markets and reorganize its operating divisions from two to three and operating regions from twelve to ten. The restructuring plan mpleted during the first quarter of 2002, resulting in the termination of approximately 320 employees and severance costs of $4 million of wh million was recorded in the first quarter of 2002 and $3 million was recorded in th fourth quarter of 2001.

22. Income Taxes

All operations are held through Charter Holdco and its direct and indir sidiaries. Charter Holdco and the majority of its subsidiaries are not subject to income tax. However, certain of these subsidiaries are corporations and bject to income tax. All of the taxable income, gains, losses, deductions and credi of Charter Holdco are passed through to its members: Charter, Charter ment, Vulcan Cable, and certain former owners of acquired companies.

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Charter is responsible for its share of taxable income or loss of Charter Holdco allocated to it in accordance with the Charter Holdco amended and restated limited liability company agreement ("Agreement") and partnership tax rules and regulations.

The Agreement provides for certain special allocations of net tax profits and net tax losses (such net tax profits and net tax losses being determined under the applicable federal income tax rules for determining capital accounts). Pursuant to the Agreement, through the end of 2003, net tax losses of Charter Holdco th would otherwise have been allocated to Charter based generally on its percentage ownership of outstanding common units will be allocated instead to the membership units held by Vulcan Cable and Charter Investment (the "Special Loss Allocations") to the extent of their capital account balances. The Agreeme further provides that, beginning at the time Charter Holdco first generates net tax profits, the net tax profits that would otherwise have been allocated to Chart based generally on its percentage ownership of outstanding common membership units will instead be allocated to Vulcan Cable and Charter Investment (the "Special Profit Allocations"). The Special Profit Allocations to Vulcan Cable and Charter Investment will generally continue until the cumulative amount of t Special Profit Allocations offsets the cumulative amount of the Special Loss Allocations. The Agreement generally provides that any additional net tax profits to be allocated proportionately among the members of Charter Holdco based on their ownership of Charter Holdco membership units. The cumulative amoun the actual income tax losses allocated to Vulcan Cable and Charter Investment as a result of the Special Loss Allocations through the period ended December 2002 is approximately $3.3 billion.

In certain situations, the Special Loss Allocations and Special Profit Allocations described above could result in Charter paying taxes in an amount that is mor or less than if Charter Holdco had allocated net tax profits and net tax losses among its members based generally on the number of common membership units owned by such members. This could occur due to differences in (i) the character of the allocated income (e.g., ordinary versus capital), (ii) the allocated amou and timing of tax depreciation and tax amortization expense due to application of section 704(c) under the Internal Revenue Code, (iii) the amount and timing alternative minimum taxes paid by Charter, (iv) the apportionment of the allocated income or loss among the states in which Charter Holdco does business, an (v) future federal and state tax laws. Further, in the event of new capital contributions to Charter Holdco, it is possible that the tax effects of the Special Profit Allocations and Special Loss Allocations will change significantly pursuant to the provisions of the income tax regulations. Such change could defer the actual tax benefits to be derived by Charter with respect to the net tax losses allocated to it or accelerate the actual taxable income to Charter with respect to the net ta profits allocated to it. As a result, it is possible under certain circumstances, that Charter could receive future allocations of taxable income in excess of its currently allocated tax deductions and available tax loss carryforwards.

In addition to the aforementioned reasons, under their exchange agreement with Charter, Vulcan Cable and Charter Investment may exchange some or all of th membership units in Charter Holdco for Charter's Class B common stock, be merged with Charter, or be acquired by Charter in a non-taxable reorganization. such an exchange were to take place prior to the date that the Special Profit Allocation provisions had fully offset the Special Loss Allocations, Vulcan Cable a Charter Investment could elect to cause Charter Holdco to make the remaining Special Profit Allocations to Vulcan Cable and Charter Investment immediately prior to the consummation of the exchange. In the event Vulcan Cable and Charter Investment choose not to make such election or to the extent such allocation are not possible, Charter would then be allocated tax profits attributable to the membership units received in such exchange pursuant to the Special Profit Allocation provisions. The Company's principal shareholder has generally agreed to reimburse Charter for any incremental income taxes that Charter would ow as a result of such an exchange and any resulting future Special Profit Allocations to Charter.

For the years ended December 31, 2002, 2001 and 2000, the Company recorded deferred income tax benefits as shown below. The income tax benefits are realized through reductions in the deferred tax liabilities related to Charter's investment in Charter Holdco, as well as the deferred tax liabilities of certain of Charter's indirect corporate subsidiaries.

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Current and deferred income tax expense (benefit) is as follows (dollars in millions):

	December 31,		
	2002	2001	2000
Current expense:			
Federal income taxes	$ —	$ —	$ —
State income taxes	2	—	—
Current income tax expense	2	—	—
Deferred benefit:			
Federal income taxes	(456)	(11)	(9
State income taxes	(66)	(1)	(1
Deferred income tax benefit	(522)	(12)	(10)
Total income benefit	$ (520)	$ (12)	$ (10)

The Company's effective tax rate differs from that derived by applying the applicable Federal income tax rate of 35%, and average state income tax rate of 5' for the years ended December 31, 2002, 2001 and 2000 as follows (dollars in millions):

	December 31,		
	2002	2001	2000
Statutory federal income taxes	$ (969)	$ (409)	$ (304)
State income taxes, net of federal benefit	(138)	(58)	(43)
Valuation allowance provided	587	455	337
Provision for income taxes	$ (520)	$ (12)	$ (10)

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The tax effects of these temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002, 2001 and 2000 which are included in long-term liabilities are presented below (dollars in millions).

	December 31,		
	2002	2001	2000
Deferred tax assets:			
Net operating loss carryforward	$ 1,489	$ 893	$ 423
Other	9	9	8
Total gross deferred tax assets	1,498	902	431
Less: valuation allowance	(1,444)	(857)	(402)
Net deferred tax assets	$ 54	$ 45	$ 29
Deferred tax liabilities:			
Investment in Charter Holdco	$ (266)	$ (671)	$ (671)
Property, plant & equipment	(47)	(34)	(15)
Franchises	(240)	(493)	(523)
Gross deferred tax liabilities	(553)	(1,198)	(1,209)
Net deferred tax liabilities	$ (499)	$(1,153)	$(1,180)

As of December 31, 2002, the Company has deferred tax assets of $1.4 billion, which primarily relate to the excess of cumulative financial statement losses ove cumulative tax losses allocated from Charter Holdco. The deferred tax assets also include $322 million of tax net operating loss carryforwards (generally expiri in years 2003 through 2022) of Charter and its indirect corporate subsidiaries, which are subject to separate return limitations. Valuation allowances of $277 million exist with respect to these carryforwards.

The total valuation allowance for deferred tax assets as of December 31, 2002, 2001 and 2000 was $1.4 billion, $857 million and $402 million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Because of the uncertainties in projecting future taxable income of Charter Holdco, valuation allowances have been established except for deferred benefits available to offset deferred tax liabilities.

The Company is currently under examination by the Internal Revenue Service for the tax years ending December 31, 1999 and 2000. Management does not expect the results of this examination to have a material adverse effect on the Company's consolidated financial position or results of operation.

23. Related Party Transactions

The following sets forth certain transactions in which the Company and the directors, executive officers and affiliates of the Company are involved. Unless otherwise disclosed, management believes that each of the transactions described below was on terms no less favorable to the Company than could have been obtained from independent third parties.

Charter has entered into management arrangements with Charter Holdco and certain of its subsidiaries. Under these agreements, Charter provides management services for the cable television systems owned or operated by its subsidiaries. The management services include such services as centralized customer billing services, data processing and related support, benefits administration and coordination of insurance coverage and self-insurance

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programs for medical, dental and workers' compensation claims. Certain costs for these services are billed and charged directly to the Company's operating subsidiaries and are included within operating costs. Such costs totaled $176 million, $119 million and $51 million for the years ended December 31, 2002, 2 and 2000, respectively. All other costs incurred on the behalf of the Company's operating subsidiaries are considered a part of the management fee and are recorded as corporate expense in the accompanying consolidated financial statements. For the years ended December 31, 2002, 2001 and 2000, the managem fee charged to the Company's operating subsidiaries approximated the corporate expenses incurred by Charter Holdco and Charter on behalf of the Company operating subsidiaries. The credit facilities of the Company's operating subsidiaries prohibit payments of management fees in excess of 3.5% of revenues unt repayment of the outstanding indebtedness. In the event any portion of the management fee due and payable is not paid, it is deferred by Charter and accrued liability of such subsidiaries. Any deferred amount of the management fee will bear interest at the rate of 10% per annum, compounded annually, from the da was due and payable until the date it is paid.

Mr. Allen, the controlling shareholder of Charter, and a number of his affiliates have interests in various entities that provide services or programming to Charter's subsidiaries. Given the diverse nature of Mr. Allen's investment activities and interests, and to avoid the possibility of future disputes as to potential business, Charter may not, and may not allow its subsidiaries to, engage in any business transaction outside the cable transmission business except for certain existing approved investments. Should Charter or its subsidiaries wish to pursue a business transaction outside of this scope, it must first offer Mr. Allen the opportunity to pursue the particular business transaction. If he decides not to pursue the business transaction and consents to Charter or its subsidiaries to enga in the business transaction, they will be able to do so. The cable transmission business means the business of transmitting video, audio, including telephony, a data over cable television systems owned, operated or managed by Charter or its subsidiaries from time to time.

Mr. Allen or his affiliates own equity interests or warrants to purchase equity interests in various entities with which the Company does business or which provides it with products, services or programming. Among these entities are TechTV Inc. (TechTV), Oxygen Media Corporation (Oxygen Media), Digeo, Inc ClickDream, Inc., Trail Blazer Inc., Action Sports Cable Network (Action Sports) and Microsoft Corporation. In addition, Mr. Allen and Mr. Savoy were directors of USA Networks, Inc. (USA Networks), who operates the USA Network, The Sci–Fi Channel, Trio, World News International and Home Shopping Network, owning approximately 5% and less than 1%, respectively, of the common stock of USA Networks. In 2002, Mr. Allen and Mr. Savoy sold their common stock and are no longer directors of the USA Network. Mr. Allen owns 100% of the equity of Vulcan Ventures Incorporated (Vulcan Ventures) and Vulcan Inc. and is the president of Vulcan Ventures. Mr. Savoy is also a vice president and a director of Vulcan Ventures. The various cable, media, Internet a telephony companies in which Mr. Allen has invested may mutually benefit one another. The agreements governing the Company's relationship with Digeo, I are an example of a cooperative business relationship among Mr. Allen's affiliated companies. The Company can give no assurance that any of these business relationships will be successful, that the Company will realize any benefits from these relationships or that the Company will enter into any business relationsh in the future with Mr. Allen's affiliated companies.

Mr. Allen and his affiliates have made, and in the future likely will make, numerous investments outside of the Company and its business. The Company cannc assure that in the event that the Company or any of its subsidiaries enter into transactions in the future with any affiliate of Mr. Allen, such transactions will be on terms as favorable to the Company as terms it might have obtained from an unrelated third party. Also, conflicts could arise with respect to the allocation of corporate opportunities between the Company and Mr. Allen and his affiliates. The Company has not instituted any formal plan or arrangement to address potential conflicts of interest.

High Speed Access Corp. (High Speed Access) has been a provider of high–speed Internet access services over cable modems. During the period from 1997 to 2000, certain Charter entities entered into Internet–access related service agreements, and both Vulcan Ventures, an entity controlled by Mr. Allen, and certain c Charter's subsidiaries made equity investments in High Speed Access.

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On February 28, 2002, Charter's subsidiary and an affiliate to the Company, CC Systems, purchased from High Speed Access the contracts and associated as and assumed related liabilities, that served the Company's customers, including a customer contact center, network operations center and provisioning softw. Immediately prior to the asset purchase, Vulcan Ventures beneficially owned approximately 37%, and the Company beneficially owned approximately 13%, the common stock of High Speed Access (including the shares of common stock which could be acquired upon conversion of the Series D preferred stock, ar upon exercise of the warrants owned by Charter Communications Holding Company). Following the consummation of the asset purchase, neither the Compa nor Vulcan Ventures beneficially owned any securities of, or were otherwise affiliated with, High Speed Access.

The Company receives or will receive programming for broadcast via its cable systems from TechTV, USA Networks, Oxygen Media and Action Sports. The Company pay a fee for the programming service generally based on the number of customers receiving the service. Such fees for the years ended December 2002 and 200 were each less than 2% of total operating expenses. In addition, the Company receives commissions from USA Networks for home shopping sales generate by its customers. Such revenues for the years ended December 31, 2002 and 2001 were less than 1% of total revenues. On November 5, 2002, Action Sports nounced that it was discontinuing its business. The Company believes that the failure of Action Sports will not materially affect the Company business or res ts of operations.

As discussed i Note 5, in April 2002, Interlink Communications Partners, LLC, Rifkin Acquisition Partners, LLC and Charter Communications Entertainme LLC, each an direct wholly–owned subsidiary of the Company, completed the cash purchase of certain assets of Enstar Income Program II–2, L.P., Enstar Income Progra IV–3, L.P., Enstar Income/Growth Program Six–A, L.P., Enstar Cable of Macoupin County and Enstar Income IV/PBD Systems Venture, serving in the gregate approximately 21,600 (unaudited) customers, for a total cash sale price of approximately $48 million. In September 2002, Charter Communicatio Entertainment I, LLC purchased all of Enstar Income Program II–1, L.P.'s Illinois cable television systems, serving approximately 6,400 (unaudited) cu mers, for a cash sale price of $15 million. Enstar Communications Corporation, a direct subsidiary of Charter Holdco, is a general partner of Enstar limited artnerships but does not exercise control over them. All of the executive officers of Charter and Charter Holdco act as officers of Enstar Communicatio s Corporation.

The Company purchases certain equipment for use in the Company's business from ADC Telecommunications, which provides broadband access and networ equipment. Mr. Wangberg, a director for Charter, serves as a director for ADC Telecommunications. Such fees for the years ended December 31, 2002 and 20 were each less than 1% of total operating expenses under this arrangement.

On January 10, 2003 Charter signed an agreement to carry two around–the–clock, high–definition networks, HDNet and HDNet Movies. The Company believ that entities controlled by Mr. Mark Cuban, co–founder and president of HDNet, owns 96.9% of HDNet and HDNet Movies as of December 31, 2002. As of December 31, 2002 Mr. Cuban, owns approximately 5.3% equity interest in Charter.

As part of the Bresnan acquisition in February 2000, CC VIII, an indirect limited liability company subsidiary of Charter, issued the CC VIII Interest to the Comcast Sellers. The CC VIII Interest is entitled to a 2% priority return on its initial capital amount and such priority return is entitled to preferential distributions from available cash and upon liquidation of CC VIII. The CC VIII Interest generally does not share in the profits and losses of CC VIII at present. The Comcast Sellers have the right at their option to exchange the CC VIII Interest for shares of Charter Class A common stock. Charter does not have the righ to force such an exchange. In connection with the Bresnan acquisition, Mr. Allen granted the Comcast Sellers the right to sell to Mr. Allen the CC VIII Interest (or any Charter Class A common stock that the Comcast Sellers would receive if they exercised their exchange right) for approximately $630 million plus 4.5% interest annually from February 2000. In April 2002, in accordance with such put agreement, the Comcast Sellers notified Mr. Allen of their exercise of the Comcast Put Right in full, and the parties agreed to consummate the sale in April 2003, although the parties also agreed to negotiate in good faith possible alternatives to the closing. On April 9, 2003, the parties agreed to extend the closing for up to thirty days. If the sale to Mr. Allen is consummated, Mr. Allen would become the holder of the CC VIII Interest (or, if previously exchanged by the current holders, any Charter Class A common stock issued to the current holders upon

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such exchange). If the CC VIII interest is transferred to Mr. Allen, then, subject to the matters referenced in the next paragraph, Mr. Allen generally thereafte would be allocated his pro rata share (based on number of membership interests outstanding) of profits or losses of CC VIII. In the event of a liquidation of C VIII, Mr. Allen would not be entitled to any priority distributions (except with respect to the 2% priority return, as to which such priority would continue), an Mr. Allen's share of any remaining distributions in liquidation would be equal to the initial capital account of the Comcast Sellers of approximately $630 mil increased or decreased by Mr. Allen's pro rata share of CC VIII's profits or losses (as computed for capital account purposes) after the date of the transfer of CC VIII Interest to Mr. Allen.

An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VI Interest following consummation of the Comcast Put Right. Our Board of Directors has formed a Special Committee comprised of Messrs. Tory, Wangberg a Nelson to investigate and take any other appropriate action on behalf of the Company with respect to this matter. Specifically, the Special Committee is considering wh ther it should be the position of Charter that Mr. Allen should be required to contribute the CC VIII Interest to Charter Holdco in exchange fo Charter Holdc membership units, immediately after his acquisition of the CC VIII Interest upon consummation of the Comcast Put Right. To the extent it is ultimately dete nined that Mr. Allen must contribute the CC VIII Interest to Charter Holdco following consummation of the Comcast Put Right, the Special Committee ma also consider what additional steps, if any, should be taken with respect to the further disposition of the CC VIII Interest by Charter Holdco. I necessary, foll ing the completion of the Special Committee's investigation of the facts and circumstances relating to this matter, the Special Committee anc Mr. Allen hav greed to a non-binding mediation process to resolve any dispute relating to this matter as soon as practicable, but without any prejudice to an rights of the pa es if such dispute is not resolved as part of the mediation.

24. Comm ments and Contingencies

Leases

The Company leases certain facilities and equipment under noncancellable operating leases. Leases and rental costs charged to expense for the years ended December 31, 2002, 2001 and 2000, were $31 million, $25 million and $23 million, respectively. As of December 31, 2002, future minimum lease payments a as follows (in millions):

Year	Amount
2003	$18.456
2004	14.202
2005	12.190
2006	9.212
2007	6.145
Thereafter	20.726

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the years ended December 31, 2002, 2001 and 2000, was $41 million, $33 million and $31 million, respectively. The Company pays programming fees under multi-year contracts ranging from three to six years typically based on a flat fee per customer, which may be fixed for the term or may in some cases, escalate over the term. Total programming costs paid to programmers were $1.2 billion, $951 million and $763 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Litigation

Fourteen putative federal class action lawsuits (the "Federal Class Actions") have been filed against Charter and certain of its former and present officers and directors in various jurisdictions allegedly on behalf of all purchasers of Charter's securities during the period from either November 8 or November 9, 1999 through July 17 or July 18, 2002. Unspecified damages are sought by the plaintiffs. In general, the lawsuits allege that Charter utilized misleading accounting practices and failed to disclose these accounting practices and/or issued false and misleading financial statements and press releases concerning Charter's operations and prospects.

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In October 2002, Charter filed a motion with the Judicial Panel on Multidistrict Litigation (the "Panel") to transfer the Federal Class Actions to the Eastern District of Missouri. On March 12, 2003, the Panel transferred the six Federal Class Actions not filed in the Eastern District of Missouri to that district for coordinated or consolidated pretrial proceedings with the eight Federal Class Actions already pending there. The Panel's transfer order assigned the Federal Class Actions to Judge Charles A. Shaw. By virtue of a prior court order, StoneRidge Investment Partners LLC became lead plaintiff upon entry of the Panel transfer order. We anticipate that the lead plaintiff will file a single consolidated amended complaint shortly. No response from Charter will be due until after consolidated amended complaint is filed.

On September 12, 2002, a shareholders derivative suit (the "State Derivative Action") was filed in Missouri state court against Charter and its current directors as well as its former auditors. A substantively identical derivative action was later filed and consolidated into the State Derivative Action. The plaintiffs allege that the individual defendants breached their fiduciary duties by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on Charter's behalf, are sought by the plaintiffs.

Separately, on February 12, 2003, a shareholders derivative suit (the "Federal Derivative Action"), was filed against Charter and its current directors in the United States District Court for the Eastern District of Missouri. The plaintiff alleges that the individual defendants breached their fiduciary duties and grossly mismanaged Charter by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on the Charter's behalf, are sought by the plaintiffs.

In addition to the Federal Class Actions, the State Derivative Action and the Federal Derivative Action, six putative class action lawsuits have been filed against Charter and certain of its current directors and officers in the Court of Chancery of the State of Delaware (the "Delaware Class Actions"). The Delaware Class Actions are substantively identical and generally allege that the defendants breached their fiduciary duties by participating or acquiescing in a purported and threatened attempt by Defendant Paul Allen to purchase shares and assets of Charter at an unfair price. The lawsuits were brought on behalf of Charter's securities holders as of July 29, 2002, and seek unspecified damages and possible injunctive relief. No such proposed transaction by Mr. Allen has been presented.

The lawsuits discussed above are each in preliminary stages and no dispositive motions or other responses to any of the complaints have been filed. No reserves have been established for those matters because the Company believes they are either not estimable or not probable. Charter intends to vigorously defend the lawsuits.

In August of 2002, Charter became aware of a grand jury investigation being conducted by the United States Attorney's Office for the Eastern District of Missouri into certain of its accounting and reporting practices, focusing on how Charter reported customer numbers, refunds that Charter sought from programmers and its reporting of amounts received from digital set-top terminal suppliers for advertising. Charter has been advised by the U.S. Attorney's Office that no member of the Board of Directors, including its Chief Executive Officer, is a target of the investigation. Charter is fully cooperating with the investigation.

On November 4, 2002, Charter received an informal, non-public inquiry from the Staff of the Securities and Exchange Commission (SEC). The SEC has subsequently issued a formal order of investigation dated January 23, 2003, and subsequent document subpoenas. The investigation and subpoenas generally concern Charter's prior reports with respect to its determination of the number of customers, and various of its other accounting policies and practices including its capitalization of certain expenses and dealings with certain vendors, including programmers and digital set-top terminal suppliers. Charter is actively cooperating with the SEC Staff.

Charter is unable to predict the outcome of the lawsuits and the government investigations described above. An unfavorable outcome in the lawsuits or the government investigations described above could have a material adverse effect on Charter's results of operations and financial condition.

Charter is generally required to indemnify each of the named individual defendants in connection with these matters pursuant to the terms of its Bylaws and (where applicable) such individual defendants' employment agreements. Pursuant to the terms of certain employment agreements and in accordance with th Bylaws of Charter, in connection with the pending grand jury investigation, SEC investigation and the above described lawsuits, Charter's current directors its current and former officers have been advanced certain costs and expenses incurred in connection with their defense.

In addition to the matters set forth above, Charter is also party to other lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after taking into account recorded liabilities, the outcome of these other lawsuits and claims will not have a material adverse effect c the Company's consolidated financial position or results of operations.

Charter has directors' and officers' liability insurance coverage that it believes is available for these matters, subject to the terms, conditions and limitations c the respective policies.

Regulation in the Cable Industry

The operation of a cable system is extensively regulated by the Federal Communications Commission (FCC), some state governments and most local governments. The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or th imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities used in connection with cable operations. The 1996 Telecom Act altered the regulatory structure governing the nation's communications providers. It removed barriers to competition both the cable television market and the local telephone market. Among other things, it reduced the scope of cable rate regulation and encouraged additional competition in the video programming industry by allowing local telephone companies to provide video programming in their own telephone service areas.

The 1996 Telecom Act required the FCC to undertake a number of implementing rulemakings. Moreover, Congress and the FCC have frequently revisited the subject of cable regulation. Future legislative and regulatory changes could adversely affect the Company's operations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. During the years ended December 31, 2002, 2001 and 2000, the amounts refunded by the Compan have been insignificant. The Company may be required to refund additional amounts in the future.

25. Employee Benefit Plan

The Company's employees may participate in the Charter Communications, Inc. 401(k) Plan. Employees that qualify for participation can contribute up to 50% of their salary, on a pre-tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company matches 50% of the first 5% of participant contributions. The Company made contributions to the 401(k) plan totaling $8 million, $9 million and $7 million for the years ended December 31, 2002, 2001 and 2000, respectively.

26. Recently Issued Accounting Standards

Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company will adopt SFAS No. 143 on January 1, 2003. The Company does not expect the adoption of SFAS No. 143 to have a material impact on the Company's financial condition or results of operations.

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145 Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 provides for the re ssion of several previously issued accounting standards, new accounting guidance for the accounting for certain lease modifications and various tech al corrections that are not substantive in nature to existing pronouncements. The Company will adopt SFAS No. 145 beginning January 1, 2003, e ept for the provisions relating to the amendment of SFAS No. 13, which will be adopted for transactions occurring subsequent to May 15, 2002. The Con ay does not expect the adoption of SFAS No. 145 to have a material impact on the consolidated financial statements of the Company.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accou ng for Costs Associated with Exit or Disposal Activities." SFAS No 146 addresses financial accounting and reporting for costs associated with exit or dispc. activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to ... t an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for costs associated with an exit or disposal activity b recognized when the liability is incurred rather than when a company commits to such an activity and also establishes fair value as the objective for initial me urement of the liability. SFAS No. 146 will be adopted by the Company for ex t or disposal activities that are initiated after December 31, 2002. Adop on will not have a material impact on the consolidated financial statements of th Company.

In December 2 2, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." SF S No. 148 amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, it amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported resu The Company adopted SFAS No. 148 beginning January 1, 2003. On January 1, 2003, the Company also adopted SFAS No. 123, "Accounting for Stock-Base Compensation" on the prospective method under which the Company will recognize compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date.

27. Parent Company Only Financial Statements

As the result of limitations on, and prohibitions of, distributions, substantially all of the net assets of the consolidated subsidiaries are restricted for distribution Charter, the parent company. The following condensed parent-only financial statements of Charter account for the investment in Charter Holdco under the equity method of accounting. The financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto. The information in this footnote has been revised from the information previously reported to reflect the Company's restatement of its consolidated financial statements of the years ended December 31, 2001 and 2000. See Note 3 for a description of the restatement.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

Charter Communications, Inc. (Parent Company Only)

Condensed Balance Sheet

		December 31, 2002
ASSETS		
Cash and cash equivalents	$	10
Receivable from related party		3
Investment in Charter Holdco		308
Notes receivable from Charter Holdco		1,433
	$	1,754
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	$	13
Convertible notes		1,383
Deferred income taxes		266
Preferred stock — redeemable		51
Shareholders' equity		41
Total liabilities and shareholders' equity	$	1,754

Condensed Statement of Operations

		Year Ended December 31, 2002
REVENUES		
Interest income	$	76
Management fees		9
Total revenues		85
EXPENSES		
Equity in losses of Charter Holdco		(2,922)
General and administrative expenses		(9)
Interest expense		(73)
Total expenses		(3,004)
Net loss before income taxes		(2,919)
Income taxes		405
Net loss		(2,514)
Dividend on preferred equity		(3)
Net loss after preferred dividends	$	(2,517)

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

Condensed Statements of Cash Flows

	Year Endec December 3 2002
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss after preferred dividends	$ (2,51
Equity in losses of Charter Holdco	2,92
Changes in operating assets and liabilities	1
Deferred income taxes	(40
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment in Charter Holdco	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	1C
CASH AND CASH EQUIVALENTS, beginning of year	—
CASH AND CASH EQUIVALENTS, end of year	$ 10

The following table sets forth the parent–only condensed balance sheet, statement of operations and statement of cash flows of Charter which accounts for the investment in Charter Holdco under the equity method of accounting, showing previously reported and restated amounts as of December 31, 2001 (in millions

Condensed Balance Sheet

	December 31, 2001 (As previously reported)	December 31, 2001 (As restat
ASSETS		
Receivable from related party	$ 14	$ 1
Investment in Charter Holdco	2,912	3,25
Notes receivable from Charter Holdco	1,383	1,43
	$ 4,309	$ 4,703
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	$ 14	$ 13
Convertible notes	1,383	1,383
Deferred income taxes	—	671
Preferred stock — redeemable	51	51
Shareholders' equity	2,861	2,585
Total liabilities and shareholders' equity	$ 4,309	$ 4,703

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

Condensed Statement of Operations

	Year Ended December 31, 2001	
	(As previously reported)	(As restated)
REVENUES		
Interest income	$ 60	$ 61
Management fees	6	6
Total revenues	66	67
EXPENSES		
Equity in losses of Charter Holdco	(1,179)	(1,168)
General and administrative expenses	(6)	(6)
Interest expense	(59)	(60)
Total expenses	(1,244)	(1,234)
Net loss	(1,178)	(1,167)
Dividend on preferred equity	(1)	(1)
Net loss after preferred dividends	$(1,179)	$(1,168)

Condensed Statements of Cash Flows

	Year Ended December 31, 2001	
	(As previously reported)	(As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss after preferred dividends	$(1,179)	$(1,168)
Equity in losses of Charter Holdco	1,179	1,168
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in and receivables from Charter Holdco	(633)	(633)
Investment in Charter Holdco	(1,224)	(1,224)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible notes	633	633
Net proceeds from issuance of common stock	1,218	1,218
Other	6	6
NET INCREASE IN CASH AND CASH EQUIVALENTS	—	—
CASH AND CASH EQUIVALENTS, beginning of year	—	—
CASH AND CASH EQUIVALENTS, end of year	$ —	$ —

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

The following table sets forth the parent–only condensed balance sheet, statement of operations and statement of cash flows of Charter which accounts for t investment in Charter Holdco under the equity method of accounting, showing previously reported and restated amounts as of December 31, 2000 (in millio

Condensed Balance Sheet

	December 31, 2000 (As previously reported)	December 31, 2000 (As rest
ASSETS		
Receivable from related party	$ —	$ 1(
Investment in Charter Holdco	4,228	3,447
Notes receivable from Charter Holdco	750	75(
	$4,978	$4,207
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	$ —	$ 11
Payables to related party	1	—
Convertible notes	750	750
Deferred income taxes	—	671
Redeemable securities	1,104	8
Shareholders' equity	3,123	2,767
Total liabilities and shareholders' equity	$4,978	$4,207

Condensed Statement of Operations

	Year Ended December 31, 2000 (As previously reported)	Year Ended December 31, 2000 (As restated)
REVENUES		
Interest income	$ 9	$ 7
Management fees	5	5
Total revenues	14	12
EXPENSES		
Equity in losses of Charter Holdco	(829)	(858)
General and administrative expenses	(5)	(5)
Interest expense	(9)	(7)
Total expenses	(843)	(870)
Net loss	$(829)	$(858)

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

Condensed Statements of Cash Flows

	Year Ended December : 2000 (As previously reported)	(As re:
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(829)	$(85
Equity in losses of Charter Holdco	829	85:
Changes in operating assets and liabilities	(19)	(1!
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in and receivables from Charter Holdco	(750)	(75(
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible notes	750	750
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19)	(19
CASH AND CASH EQUIVALENTS, beginning of year	19	19
CASH AND CASH EQUIVALENTS, end of year	$ —	$ —

28. Unaudited Quarterly Financial Data (Restated)

The information in this footnote has been revised from the information previously reported to reflect the Company's restatement of its financial statements for years ended December 31, 2002, 2001 and 2000. See Note 3 for a description of the restatement.

The following table presents quarterly data for the periods presented on the consolidated statement of operations:

	Year ended December 31, 2002			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 1,074	$ 1,137	$ 1,166	$ 1,189
Income (loss) from operations	97	85	91	(4,393)
Loss before minority interest, income taxes and cumulative effect of accounting change	(234)	(354)	(368)	(4,991)
Net loss applicable to common stock	(317)	(160)	(167)	(1,873)
Basic and diluted loss per common share before cumulative effect of accounting change	(0.17)	(0.54)	(0.56)	(6.36)
Basic and diluted loss per common share	(1.07)	(0.54)	(0.57)	(6.36)
Weighted-average shares outstanding	294,394,939	294,453,454	294,454,659	294,457,934

CHARTER COMMUNICATIONS, INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	Year ended December 31, 2001			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 856	$ 897	$ 1,002	$ 1,052
Loss from operations	(293)	(288)	(285)	(334
Loss before minority interest, income taxes and cumulative effect of accounting change	(637)	(626)	(713)	(657
Net loss applicable to common stock	(268)	(266)	(330)	(304
Basic and diluted loss per common share before cumulative effect of accounting change	(1.11)	(1.04)	(1.12)	(1.03
Basic and diluted loss per common share	(1.15)	(1.04)	(1.12)	(1.03
Weighted—average shares outstanding	233,777,675	25[illegible],027,543	294,250,549	294,384,003

	Year ended December 31, 2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 721	$ 788	$ 808	$ 824
Loss from operations	(234)	(263)	(283)	(308)
Loss before minority interest and income taxes	(457)	(510)	(560)	(623)
Net loss applicable to common stock	(181)	(202)	(222)	(253)
Basic and diluted loss per common share	(0.81)	(0.91)	(0.99)	(1.08)
Weighted—average shares outstanding	221,917,083	222,089,746	224,965,289	233,738,668

The following tables reconcile the Company's previously filed quarterly financial data to the restated quarterly financial data included herein for revisions described more fully in Note 3 (in millions, except for share data). A summary of the nature of the reconciling items for each quarter has been provided below each table and should be read in conjunction with Note 3.

	For the Three Months Ended March 31, 2002		
	As previously reported	Adjustments	As restated
Revenues	$ 1,078	$ (4)	$ 1,074
Income (loss) from operations	(38)	135	97
Loss before minority interest, income taxes and cumulative effect of accounting change	(371)	137	(234)
Net loss applicable to common stock	(175)	(142)	(317)
Basic and diluted loss per common share before cumulative effect of accounting change	(0.59)	0.42	(0.17)
Basic and diluted loss per common share	(0.59)	(0.48)	(1.07)
Weighted average common shares outstanding, basic and diluted	294,394,939	—	294,394,939

Net loss applicable to common stock increased due to impairment of franchises caused by additional franchises being recorded in prior years related to corrections to purchase accounting for acquisitions in 1999 and 2000 and due to the expensing of certain costs originally capitalized associated with customer acquisition and installation and deferral of launch incentives. These adjustments were offset by the reversal of depreciation expense associated with certain assets that were not taken out service in the Company's rebuild and upgrade plan and the tax benefit generated by these adjustments.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended June 30, 2002		
	As previously reported	Adjustments	As restated
Revenues	$ 1,158	$ (21)	$ 1,137
Income from operations	8	77	85
Loss before minority interest and income taxes	(431)	77	(354)
Net loss applicable to common stock	(203)	43	(160)
Basic and diluted loss per common share	(0.69)	0.15	(0.54)
Weighted average common shares outstanding, basic and diluted	294,453,454	—	294,453,454

Net loss applicable to common stock decreased as a result of the reversal of depreciation expense associated with certain assets that were not taken out of se in the Company's rebuild and upgrade plan, offset by the expensing of certain costs originally capitalized associated with customer acquisition and installati and deferral of launch incentives.

	For the Three Months Ended September 30, 2002		
	As previously reported	Adjustments	As restated
Revenues	$ 1,179	$ (13)	$ 1,166
Income (loss) from operations	(17)	108	91
Loss before minority interest and income taxes	(493)	125	(368)
Net loss applicable to common stock	(240)	73	(167)
Basic and diluted loss per common share	(0.81)	0.25	(0.56)
Weighted average common shares outstanding, basic and diluted	294,454,659	—	294,454,659

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002, except for a declir in customer acquisition costs as the Company eliminated its customer acquisition campaigns through third-party contractors.

	For the Three Months Ended March 31, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 874	$ (18)	$ 856
Loss from operations	(314)	21	(293)
Loss before minority interest, income taxes and cumulative effect of accounting change	(685)	48	(637)
Net loss applicable to common stock	(281)	13	(268)
Basic and diluted loss per common share before cumulative effect of accounting change	(1.20)	0.09	(1.11)
Basic and diluted loss per common share	(1.20)	(0.05)	(1.15)
Weighted average common shares outstanding, basic and diluted	233,777,675	—	233,777,675

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended June 30, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 928	$ (31)	$ 89
Loss from operations	(298)	10	(28
Loss before minority interest and income taxes	(637)	11	(62
Net loss applicable to common stock	(274)	8	(26
Basic and diluted loss per common share	(1.07)	0.03	(1.04
Weighted average common shares outstanding, basic and diluted	255,027,543	—	255,027,543

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

	For the Three Months Ended September 30, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 1,044	$ (42)	$ 1,002
Loss from operations	(250)	(35)	(285)
Loss before minority interest and income taxes	(680)	(33)	(713)
Net loss applicable to common stock	(318)	(12)	(330)
Basic and diluted loss per common share	(1.08)	(0.04)	(1.12)
Weighted average common shares outstanding, basic and diluted	294,250,549	—	294,250,549

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

	For the Three Months Ended December 31, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 1,107	$ (55)	$ 1,052
Loss from operations	(333)	(1)	(334)
Loss before minority interest and income	(655)	2	(657)
Net loss applicable to common stock	(306)	2	(304)
Basic and diluted loss per common share	(1.04)	0.01	(1.03)
Weighted average common shares outstanding, basic and diluted	294,384,003	—	294,384,003

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended March 31, 2000		
	As previously reported	Adjustments	As restated
Revenues	$ 722	$ (1)	$ 721
Loss from operations	(224)	(10)	(234)
Loss before minority interest and income taxes	(450)	(7)	(457)
Net loss applicable to common stock	(181)	—	(181)
Basic and diluted loss per common share	(0.81)	—	(0.81)
Weighted average common shares outstanding, basic and diluted	221,917,083	—	221,917,083

Net loss applicable to common stock increased due to the expensing of certain costs originally capitalized associated with customer installation and deferral launch incentives. These adjustments were offset by the reversal of depreciation expense associated with certain assets that were not taken out of service in the Company's rebuild and upgrade plan.

	For the Three Months Ended June 30, 2000		
	As previously reported	Adjustments	As restated
Revenues	$ 795	$ (7)	$ 788
Loss from operations	(241)	(22)	(263)
Loss before minority interest and income taxes	(494)	(16)	(510)
Net loss applicable to common stock	(197)	(5)	(202)
Basic and diluted loss per common share	(0.89)	(0.02)	(0.91)
Weighted average common shares outstanding, basic and diluted	222,089,746	—	222,089,746

The nature of the items increasing net loss applicable to common stock was primarily the same as in the three months ended March 31, 2000.

	For the Three Months Ended September 30, 2000		
	As previously reported	Adjustments	As restated
Revenues	$ 839	$ (31)	$ 808
Loss from operations	(237)	(46)	(283)
Loss before minority interest and income taxes	(523)	(37)	(560)
Net loss applicable to common stock	(210)	(12)	(222)
Basic and diluted loss per common share	(0.93)	(0.06)	(0.99)
Weighted average common shares outstanding, basic and diluted	224,965,289	—	224,965,289

The nature of the items increasing net loss applicable to common stock was primarily the same as in the three months ended March 31, 2000.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended December 31, 2000		
	As previously reported	Adjustments	As restated
REVENUES	$ 893	$ (69)	$ 824
Loss from operations	(269)	(39)	(308)
Loss before minority interest and income taxes	(588)	(35)	(623)
Net loss applicable to common stock	(241)	(12)	(253)
Basic and diluted loss per common share	(1.03)	(0.05)	(1.08)
Weighted average common shares outstanding, basic and diluted	233,738,668	—	233,738,668

The nature of the items increasing net loss applicable to common stock was primarily the same as in the three months ended March 31, 2000 with an additional adjustment to expense certain costs originally capitalized as customer acquisition costs.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2002
or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number: 000-27927

Charter Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**48-1857213**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
12405 Powerscourt Drive **St. Louis, Missouri 63131**	**(314) 965-0555**
(Address of principal executive offices including zip code)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act:
Class A Common Stock, $.001 Par Value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Ac of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The aggregate market value of the registrant of outstanding Class A Common Stock held by non-affiliates of the registrant at June 28, 2002 was approximately $1.1 billion, computed based on the closing sale price as quoted on the Nasdaq National Market on that date. For purpose of this calculation only, directors, executive officers and the principal controlling shareholder of the registrant are deemed to be affiliates of t registrant.

There were 294,527,595 shares of Class A Common Stock outstanding as of February 28, 2003. There were 50,000 shares of Class B Comm Stock outstanding as of the same date.

Documents Incorporated By Reference

The following documents are incorporated into this Report by reference: None

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(dollars in millions)

	December 31, 2002	December 31, 2001 (restated)	December 31, 2000 (restated)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 321	$ 2	$ 131
Accounts receivable, less allowance for doubtful accounts of $19, $33 and $12, respectively	259	292	209
Receivables from related party	8	5	—
Prepaid expenses and other current assets	45	70	87
Total current assets	633	369	427
INVESTMENT IN CABLE PROPERTIES:			
Property, plant and equipment, net of accumulated depreciation of $2,634, $1,928 and $1,150, respectively	7,679	6,914	4,829
Franchises, net of accumulated amortization of $3,452, $3,443 and $2,006, respectively	13,727	18,911	18,835
Total investment in cable properties, net	21,406	25,825	23,664
OTHER ASSETS	345	269	261
Total assets	$22,384	$26,463	$24,352
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 1,405	$ 1,379	$ 1,343
Total current liabilities	1,405	1,379	1,343
LONG-TERM DEBT	18,671	16,343	13,061
DEFERRED MANAGEMENT FEES – RELATED PARTY	14	14	14
OTHER LONG-TERM LIABILITIES	1,177	1,682	1,517
MINORITY INTEREST	1,025	4,409	4,546
REDEEMABLE SECURITIES	—	—	1,104
PREFERRED STOCK – REDEEMABLE; $.001 par value; 1 million shares authorized; 505,664 shares issued and outstanding	51	51	—
SHAREHOLDERS' EQUITY:			
Class A Common stock; $.001 par value; 1.75 billion shares authorized; 294,620,408, 294,536,830 and 233,702,135 shares issued and outstanding, respectively	—	—	—
Class B Common stock; $.001 par value; 750 million shares authorized; 50,000 shares issued and outstanding	—	—	—
Preferred stock; $.001 par value; 250 million shares authorized; no non-redeemable shares issued and outstanding	—	—	—
Additional paid-in capital	4,697	4,694	3,691
Accumulated deficit	(4,609)	(2,092)	(924)
Accumulated other comprehensive loss	(47)	(17)	—
Total shareholders' equity	41	2,585	2,767
Total liabilities and shareholders' equity	$22,384	$26,463	$24,352

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in millions, except per share data)

	Year Ended December 31, 2002	2001 (restated)	2000 (restated)
REVENUES	$ 4,566	$ 3,807	$ 3,141
COSTS AND EXPENSES:			
Operating (excluding depreciation and amortization and other items listed below)	1,804	1,480	1,185
Selling, general and administrative	966	832	608
Depreciation and amortization	1,437	2,682	2,398
Impairment of franchises	4,638	—	—
Option compensation expense, net	5	(5)	38
Special charges	36	18	—
	8,886	5,007	4,229
Loss from operations	(4,320)	(1,200)	(1,088)
OTHER INCOME (EXPENSE):			
Interest expense, net	(1,506)	(1,313)	(1,042)
Loss on equity investments	(3)	(54)	(19)
Other, net	(118)	(66)	(1)
	(1,627)	(1,433)	(1,062)
Loss before minority interest, income taxes and cumulative effect of accounting change	(5,947)	(2,633)	(2,150)
MINORITY INTEREST	3,179	1,464	1,282
Loss before income taxes and cumulative effect of accounting change	(2,768)	(1,169)	(868)
INCOME TAX BENEFIT	520	12	10
Loss before cumulative effect of accounting change	(2,248)	(1,157)	(858)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(266)	(10)	—
Net loss	(2,514)	(1,167)	(858)
Dividends on preferred stock – redeemable	(3)	(1)	—
Net loss applicable to common stock	$ (2,517)	$ (1,168)	$ (858)
LOSS PER COMMON SHARE, basic and diluted	$ (8.55)	$ (4.33)	$ (3.80)
Weighted average common shares outstanding, basic and diluted	294,440,261	269,594,386	225,697,775

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in millions)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCE, December 31, 1999	$—	$—	$3,075	$ (66)	$ 2	$ 3,011
Issuance of common stock related to acquisitions	—	—	178	—	—	178
Redeemable securities reclassified as equity	—	—	693	—	—	693
Unrealized loss on marketable securities available for sale	—	—	—	—	(2)	(2)
Option compensation expense, net (restated)	—	—	16	—	—	16
Loss on issuance of equity by subsidiary (restated)	—	—	(272)	—	—	(272)
Stock options exercised	—	—	1	—	—	1
Net loss (restated)	—	—	—	(858)	—	(858)
BALANCE, December 31, 2000 (restated)	—	—	3,691	(924)	—	2,767
Issuance of common stock related to acquisitions	—	—	2	—	—	2
Net proceeds from issuance of common stock	—	—	1,218	—	—	1,218
Redeemable securities reclassified as equity	—	—	9	—	—	9
Contributions from Charter Investment, Inc. (restated)	—	—	25	—	—	25
Changes in fair value of interest rate agreements	—	—	—	—	(17)	(17)
Option compensation expense, net (restated)	—	—	(3)	—	—	(3)
Loss on issuance of equity by subsidiary (restated)	—	—	(253)	—	—	(253)
Stock options exercised	—	—	5	—	—	5
Dividends on preferred stock — redeemable	—	—	—	(1)	—	(1)
Net loss (restated)	—	—	—	(1,167)	—	(1,167)
BALANCE, December 31, 2001 (restated)	—	—	4,694	(2,092)	(17)	2,585
Issuance of common stock related to acquisitions	—	—	2	—	—	2
Changes in fair value of interest rate agreements	—	—	—	—	(30)	(30)
Option compensation expense, net	—	—	2	—	—	2
Loss on issuance of equity by subsidiary	—	—	(1)	—	—	(1)
Dividends on preferred stock — redeemable	—	—	—	(3)	—	(3)
Net loss	—	—	—	(2,514)	—	(2,514)
BALANCE, December 31, 2002	$—	$—	$4,697	$(4,609)	$(47)	$ 41

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

	Year Ended December 31,		
	2002	2001 (restated)	2000 (restate
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(2,514)	$(1,167)	$ (858
Adjustments to reconcile net loss to net cash flows from operating activities:			
Minority interest	(3,179)	(1,464)	(1,282
Depreciation and amortization	1,437	2,682	2,398
Impairment of franchises	4,638	—	—
Option compensation expense, net	5	(5)	38
Noncash interest expense	395	295	174
Loss on equity investments	3	54	19
Loss on derivative instruments and hedging activities, net	115	50	—
Deferred income taxes	(520)	(12)	(10
Cumulative effect of accounting change	266	10	—
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	27	(73)	(130
Prepaid expenses and other current assets	26	(11)	(2
Accounts payable and accrued expenses	52	125	523
Receivables from and payables to related party, including deferred management fees	(3)	—	(35
Other operating activities	—	5	(7
Net cash flows from operating activities	748	489	828
CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant and equipment	(2,222)	(3,001)	(2,536)
Payments for acquisitions, net of cash acquired	(139)	(1,755)	(1,188)
Purchases of investments	(12)	(3)	(59)
Other investing activities	10	(15)	32
Net cash flows from investing activities	(2,363)	(4,774)	(3,751)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	2	1,223	—
Borrowings of long-term debt	4,106	7,310	7,505
Repayments of long-term debt	(2,134)	(4,290)	(4,500)
Payments for debt issuance costs	(40)	(87)	(85)
Net cash flows from financing activities	1,934	4,156	2,920
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	319	(129)	(3)
CASH AND CASH EQUIVALENTS, beginning of period	2	131	134
CASH AND CASH EQUIVALENTS, end of period	$ 321	$ 2	$ 131
CASH PAID FOR INTEREST	$ 1,103	$ 994	$ 772
NONCASH TRANSACTIONS:			
Reclassification of redeemable securities to equity and minority interest	$ —	$ 1,105	$ 742
Exchange of cable system for acquisition	—	25	—
Issuances of preferred stock – redeemable, as payment for acquisitions	—	51	—
Issuances of equity as partial payments for acquisitions	—	2	1,192

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

1. Organization

Charter Communications, Inc. (Charter) is a holding company whose primary asset at December 31, 2002 is a 47% controlling common equi interest in Charter Communications Holding Company, LLC (Charter Holdco), which, in turn, is the sole owner of Charter Communications Holdings, LLC (Charter Holdings). Charter, Charter Holdco and its subsidiaries are collectively referred to herein as the "Company." The Company owns and operates cable systems that provide a full range of traditional analog television services to the home, along with advance broadband services, including television on an advanced digital programming platform and high-speed Internet access. The Company also provides commercial high-speed data, video, telephony and Internet services as well as advertising sales and production services.

2. Liquidity and Capital Resources

The Company has incurred losses from operations of $4.3 billion, $1.2 billion and $1.1 billion in 2002, 2001 and 2000, respectively. The Company's net cash flows from operating activities were $748 million, $489 million and $828 million for the years ending December 31, 20 2001 and 2000, respectively. In addition, the Company has required significant cash to fund capital expenditures, debt service costs and ongoing operations. Historically the Company has funded liquidity and capital requirements through cash flows from operations, borrowing under the credit facilities of the Company's subsidiaries, and by issuances of debt and equity securities. The mix of funding sources changes from period to period, but for the year ended December 31, 2002, approximately 70% of the Company's funding requirements were from ca flows from operations, 16% was from borrowings under the credit facilities of the Company's subsidiaries and 14% was for the issuance of debt by the Company's subsidiaries.

The Company expects that cash on hand, cash flows from operations and the funds available under the bank facilities and borrowings under Vulcan Inc. commitment described in Note 10 will be adequate to meet its 2003 cash needs. However, the bank facilities are subject to certai restrictive covenants, portions of which are subject to the operating results of the Company's subsidiaries. The Company's 2003 operating pl maintains compliance with these covenants. If the Company's actual operating results do not maintain compliance with these covenants, or i other events of noncompliance occur, funding under the bank facilities may not be available and defaults on some or potentially all debt obligations could occur. In addition, no assurances can be given that the Company may not experience liquidity problems because of adverse market conditions or other unfavorable events or if the Company does not obtain sufficient additional financing on a timely basis. The Company has arranged additional availability as described in Note 10.

The indenture governing the Charter Holdco notes permits Charter Holdings and its subsidiaries to make payments to the extent of its outstanding unsubordinated intercompany debt to Charter Holdco, which had an aggregate principal amount of approximately $73 million as December 31, 2002. That amount is only sufficient to enable Charter to make interest payments on its convertible senior notes through December, 2003, and is not sufficient to enable Charter to make interest payments beginning in April, 2004 or to repay all or any portion of i convertible senior notes at maturity.

Accordingly, Charter will not be able to make interest payments beginning in April, 2004, or principal payments at maturity in 2005 and 200 with respect to its convertible senior notes unless it can obtain additional financing or it receives distributions or other payments from its subsidiaries. The indentures governing the Charter Holdings notes permit Charter Holdings to make distributions to Charter Holdco only if, a the time of distribution, Charter Holdings can meet a leverage ratio of 8.75 to 1.0, there is no default under the indentures and other specified tests are met.

The Company's long-term financing structure as of December 31, 2002 includes $7.8 billion of credit facility debt, $9.5 billion of high-yield debt and $1.4 billion of convertible subordinated debentures. Approximately $236 million of this financing matures during 2003. Note 10 discusses the Company's current availability and long-term obligations, interest obligations and provides a schedule of maturity.

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)**

3. Restatements of Consolidated Financial Results

The Company has identified a series of adjustments that have resulted in the restatement of the previously issued financial statements for the years ended December 31, 2001 and 2000. These adjustments also resulted in the restatements of previously announced quarterly results for first three quarters of fiscal 2002 and each quarter during fiscal 2001 and 2000, as more fully described in Note 28. In summary, the adjustments are grouped into the following categories: (i) launch incentives from programmers; (ii) customer incentives and inducements; (iii) capitalized labor and overhead costs; (iv) customer acquisition costs; (v) rebuild and upgrade of cable systems; (vi) deferred tax liabilities/franchise assets; and (vii) other adjustments. These adjustments reduced revenue for the years ended December 31, 2001 and 2000 $146 million and $108 million, respectively. The Company's consolidated net loss decreased by $11 million for the year ended December 3: 2001. Net loss increased by $29 million for the year ended December 31, 2000, primarily due to adjustments related to the original accountir for acquisitions and for elements of the rebuild and upgrade activities. In addition, as a result of certain of these adjustments, the Company's statements of cash flows have been restated. Cash flows from operations for the years ended December 31, 2001 and 2000 were reduced by $30 million and $303 million, respectively. The more significant categories of adjustment relate to the following as outlined below.

Launch Incentives from Programmers. Amounts previously recognized as advertising revenue in connection with the launch of new programming channels have been deferred and recorded in other long-term liabilities in the year such launch support was provided, and amortized as a reduction of programming costs based upon the relevant contract term. These adjustments decreased revenue by $118 million and $76 million for the years ended December 31, 2001 and 2000, respectively. Additionally, for the year ended December 31, 2000, the Company increased marketing expense by $24 million for other promotional activities associated with launching new programming services previously deferred and subsequently amortized. The corresponding amortization of such deferred amounts reduced programming expenses l $27 million and $5 million for the years ended December 31, 2001 and 2000, respectively.

Customer Incentives and Inducements. Marketing inducements paid to encourage potential customers to switch from satellite providers to Charter branded services and enter into multi-period service agreements were previously deferred and recorded as property, plant and equipment and recognized as depreciation and amortization expense over the life of customer contracts. These amounts have been restated as reduction of revenues in the period such inducements were paid. Revenue declined $19 million and $2 million for the years ended December 31, 2001 and 2000, respectively. Substantially all of these amounts are offset by reduced depreciation and amortization expense.

Capitalized Labor and Overhead Costs. Certain elements of labor costs and related overhead allocations previously capitalized as property, plant and equipment as part of the Company's rebuild activities, customer installations and new service introductions have been expensed in the period incurred. Such adjustments increased operating expenses by $93 million and $52 million for the years ended December 31, 2001 a 2000, respectively.

Customer Acquisition Costs. Certain customer acquisition campaigns were conducted through third-party contractors in 2000, 2001 and portions of 2002. The costs of these campaigns were originally deferred and recorded as other assets and recognized as amortization expense over the average customer contract life. These amounts have been reported as marketing expense in the period incurred and totaled $59 millic and $4 million and for the years ended December 31, 2001 and 2000, respectively. The Company discontinued this program in the third quart of 2002 as contracts for third-party vendors expired. Substantially all of these amounts are offset by reduced depreciation and amortization expense.

Rebuild and Upgrade of Cable Systems. In 2000, the Company initiated a three-year program to replace and upgrade a substantial portion of i network. In connection with this plan, the Company assessed the carrying value of, and the associated depreciable lives of, various assets to b replaced. It was determined that $1 billion of cable distribution system assets, originally treated as subject to replacement, were not part of the original replacement plan but were to be upgraded and have remained in service. The Company also determined that certain assets subject to replacement during the upgrade program were misstated in the allocation of the purchase price of the acquisition. This adjustment is a reducti to property, plant and equipment and increased franchise costs of approximately $627

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)**

million as a result of this finding. In addition, the depreciation period for the replacement assets was adjusted to more closely align with the intended service period of these assets rather than the three-year straight-line life originally assigned. As a result, adjustments were recorded t reduce depreciation expense $330 million and $119 million in the years ending 2001 and 2000, respectively.

Deferred Tax Liabilities/Franchise Assets. Adjustments were made to record deferred tax liabilities associated with the acquisition of various cable television businesses. These adjustments increased amounts assigned to franchise assets by $1.4 billion with a corresponding increase i deferred tax liabilities of $1.2 billion. The balance of the entry was recorded to equity and minority interest. In addition, as described above, a correction was made to reduce amounts assigned in purchase accounting to assets identified for replacement over the three-year period of the Company's rebuild and upgrade of its network. This reduced the amount assigned to the network assets to be retained and increased the amou assigned to franchise assets by approximately $627 million with a resulting increase in amortization expense for the years restated. Such adjustments increased amortization expense by $130 million and $121 million, respectively, for the years ended December 31, 2001 and 200(

Other Adjustments. In addition to the items described above, reductions to 2000 revenues include the reversal of certain advertising revenues from equipment vendors. Other adjustments of expenses include expensing certain marketing and customer acquisition costs previously charged against purchase accounting reserves, certain tax reclassifications from tax expense to operating costs, reclassifying management fee revenue from a joint venture to offset losses from investments and adjustments to option compensation expense. The net impact of these adjustments to net loss is an increase of $38 million and a decrease of $10 million, respectively, for the years ended December 31, 2001 and 2000.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

The following table sets forth the consolidated balance sheet for the Company, showing previously reported and restated amounts, as of December 31, 2001 (in millions):

	As previously reported	As restated
CURRENT ASSETS:		
Cash and cash equivalents	$ 2	$ 2
Accounts receivable, net	290	292
Receivables from related parties	5	5
Prepaid expenses and other current assets	70	70
Total current assets	367	369
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net	7,150	6,914
Franchises, net	17,139	18,911
Total investment in cable properties, net	24,289	25,825
OTHER ASSETS	306	269
Total assets	$24,962	$26,463
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,375	$ 1,379
Total current liabilities	1,375	1,379
LONG-TERM DEBT	16,343	16,343
DEFERRED MANAGEMENT FEES — RELATED PARTY	14	14
OTHER LONG-TERM LIABILITIES	341	1,682
MINORITY INTEREST	3,976	4,409
PREFERRED STOCK — REDEEMABLE	51	51
SHAREHOLDERS' EQUITY:		
Class A common stock	—	—
Class B common stock	—	—
Preferred stock	—	—
Additional paid-in capital	4,953	4,694
Accumulated deficit	(2,073)	(2,092)
Accumulated other comprehensive loss	(18)	(17)
Total shareholders' equity	2,862	2,585
Total liabilities and shareholders' equity	$24,962	$26,463

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

The following table sets forth the consolidated statement of operations for the Company, showing previously reported and restated amounts, the year ended December 31, 2001 (in millions, except share data):

	As previously reported	As restated
REVENUES	$ 3,953	$ 3,807
COSTS AND EXPENSES:		
Operating (excluding depreciation and amortization and other items listed below)	1,326	1,480
Selling, general and administrative	841	832
Depreciation and amortization	3,010	2,682
Option compensation expense, net	(46)	(5)
Special charges	18	18
	5,149	5,007
Loss from operations	(1,196)	(1,200)
OTHER INCOME (EXPENSE):		
Interest expense, net	(1,312)	(1,313)
Loss on equity investments	(54)	(54)
Other, net	(94)	(66)
	(1,460)	(1,433)
Loss before minority interest, income taxes and cumulative effect of accounting change	(2,656)	(2,633)
MINORITY INTEREST	1,478	1,464
Loss before income taxes and cumulative effect of accounting change	(1,178)	(1,169)
INCOME TAX BENEFIT	—	12
Loss before cumulative effect of accounting change	(1,178)	(1,157)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	—	(10)
Net loss	(1,178)	(1,167)
Dividends on preferred stock – redeemable	(1)	(1)
Net loss applicable to common stock	$ (1,179)	$ (1,168)
LOSS PER COMMON SHARE, basic and diluted	$ (4.37)	$ (4.33)
Weighted average common shares outstanding, basic and diluted	269,594,386	269,594,386

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

The following table sets forth the consolidated balance sheet for the Company, showing previously reported and restated amounts, as of December 31, 2000 (in millions):

	As previously reported	As restated
CURRENT ASSETS:		
Cash and cash equivalents	$ 131	$ 131
Accounts receivable, net	218	209
Receivables from related parties	6	—
Prepaid expenses and other current assets	78	87
Total current assets	433	427
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net	5,267	4,829
Franchises, net	17,069	18,835
Total investment in cable properties, net	22,336	23,664
OTHER ASSETS	275	261
Total assets	$23,044	$24,352
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,367	$ 1,343
Total current liabilities	1,367	1,343
LONG-TERM DEBT	13,061	13,061
DEFERRED MANAGEMENT FEES — RELATED PARTY	14	14
OTHER LONG-TERM LIABILITIES	285	1,517
MINORITY INTEREST	4,090	4,546
REDEEMABLE SECURITIES	1,104	1,104
SHAREHOLDERS' EQUITY:		
Class A common stock	—	—
Class B common stock	—	—
Preferred stock	—	—
Additional paid-in capital	4,018	3,691
Accumulated deficit	(895)	(924)
Total shareholders' equity	3,123	2,767
Total liabilities and shareholders' equity	$23,044	$24,352

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

The following table sets forth the consolidated statement of operations for the Company, showing previously reported and restated amounts, the year ended December 31, 2000 (in millions, except share data):

	As previously reported	As restated
REVENUES	$ 3,249	$ 3,141
COSTS AND EXPENSES:		
Operating (excluding depreciation and amortization and other items listed below)	1,036	1,185
Selling, general and administrative	670	608
Depreciation and amortization	2,473	2,398
Option compensation expense, net	41	38
	4,220	4,229
Loss from operations	(971)	(1,088)
OTHER INCOME (EXPENSE):		
Interest expense, net	(1,052)	(1,042)
Loss on equity investments	(19)	(19)
Other, net	(13)	(1)
	(1,084)	(1,062)
Loss before minority interest and income taxes	(2,055)	(2,150)
MINORITY INTEREST	1,226	1,282
Loss before income taxes	(829)	(868)
INCOME TAX BENEFIT	—	10
Net loss	$ (829)	$ (858)
LOSS PER COMMON SHARE, basic and diluted	$ (3.67)	$ (3.80)
Weighted average common shares outstanding, basic and diluted	225,697,775	225,697,775

The following table sets forth selected consolidated statements of cash flows information for the Company, showing previously reported and restated amounts, for the years ended December 31, 2001 and 2000 (in millions):

	2001		2000	
	As previously reported	As restated	As previously reported	As restated
Net cash from operating activities	$ 519	$ 489	$ 1,131	$ 828
Net cash from investing activities	(4,809)	(4,774)	(4,054)	(3,751)
Net cash from financing activities	$ 4,162	$ 4,156	$ 2,920	$ 2,920

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

4. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The consolidated financial statements of the Company include the accounts of Charter, Charter Holdco, Charter Holdings and all of their wholly-owned subsidiaries and those subsidiaries over which Charter exercises voting control. Currently, Charter Holdco is the only subsidi in which the Company consolidates on the basis of voting control. All significant intercompany accounts and transactions among consolidate entities have been eliminated. All amounts presented for 2000 and 2001 in the financial statements and accompanying notes have been adjus to reflect the restated results in Note 3.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires managemer to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant judgments an estimates include capitalization of labor and overhead costs, depreciation and amortization costs, impairments of property, plant and equipment, franchises and goodwill, income taxes and other contingencies. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. These investmer are carried at cost, which approximates market value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, including all material labor and certain indirect costs associated with the construction of cable transmission and distribution facilities. Costs associated with initial customer installations and the additions of network equipment necessary to enable advanced services are capitalized. Costs capitalized as part of initial customer installations include materials, labor, and certain indirect costs. These indirect costs are associated with the activities of the Company's personnel who assist in connecting and activati the new service and consist of compensation and overhead costs associated with these support functions. Overhead costs primarily include employee benefits and payroll taxes, direct variable costs associated with capitalizable activities, consisting primarily of installation and construction vehicle costs, the cost of dispatch personnel and indirect costs directly attributable to capitalizable activities. The costs of disconnecting service at a customer's dwelling or reconnecting service to a previously installed dwelling are charged to operating expense in the period incurred. Costs for repairs and maintenance are charged to operating expense as incurred, while equipment replacement and betterments, including replacement of cable drops from the pole to the dwelling, are capitalized.

Depreciation is recorded using the straight-line method over management's estimate of the useful lives of the related assets as follows:

Cable distribution systems	7-15 years
Customer equipment and installations	3-5 years
Vehicles and equipment	1-5 years
Buildings and leasehold improvements	5-15 years
Furniture and fixtures	5 years

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Franchises

Franchise rights acquired through the purchase of cable systems represent management's estimate of fair value at the date of acquisition and generally are reviewed to determine if the franchise has a finite life or an indefinite life as defined by Statement of Financial Accounting Standards (SFAS) No. 142. On January 1, 2002, the Company adopted SFAS No. 142, which eliminates the amortization of goodwill and indefinite lived intangible assets. Accordingly, beginning January 1, 2002, all franchises that qualify for indefinite life treatment under SFAS No. 142 are no longer amortized against earnings but instead are tested for impairment annually as of October 1, or more frequently as warranted by events or changes in circumstances (See Note 8). Certain franchises did not qualify for indefinite-life treatment due to technological or operational factors that limit their lives. These franchise costs are amortized on a straight-line basis over 10 years. Costs incurred in renewing cable franchises are deferred and amortized over 10 years.

Prior to the adoption of SFAS No. 142, costs incurred in obtaining and renewing cable franchises were deferred and amortized using the straight-line method over a period of 15 years. Franchise rights acquired through the purchase of cable systems were generally amortized usir the straight-line method over a period of 15 years. The period of 15 years was management's best estimate of the useful lives of the franchise: and assumed that substantially all of those franchises that expired during the period would be renewed but not indefinitely. The Company evaluated the recoverability of franchises for impairment when events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. Because substantially all of the Company's franchise rights have been acquired in the past several years, at the time of acquisition management believed the Company did not have sufficient experience with the local franchise authorities to conclude that renewals of franchises could be accomplished indefinitely.

The Company believes that facts and circumstances have changed to enable it to conclude that substantially all of its franchises will be renew indefinitely, with those franchises where technological or operational factors limit their lives continuing to be amortized. The Company has sufficiently upgraded the technological state of its cable systems and now has sufficient experience with the local franchise authorities where acquired franchises to conclude substantially all franchises will be renewed indefinitely.

Other Assets

Other assets primarily include goodwill, deferred financing costs and investments in equity securities. Costs related to borrowings are deferre and amortized to interest expense using the effective interest method over the terms of the related borrowings. As of December 31, 2002, 200 and 2000, other assets include $231 million, $230 million and $171 million of deferred financing costs, net of accumulated amortization of $106 million, $67 million and $35 million, respectively.

Investments in equity securities are accounted for at cost, under the equity method of accounting or in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Charter recognizes losses for an decline in value considered to be other than temporary. Certain marketable equity securities are classified as available-for-sale and reported at market value with unrealized gains and losses recorded as accumulated other comprehensive income or loss.

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The following summarizes investment information as of and for the years ended December 31, 2002, 2001 and 2000 (in millions):

	Carrying Value at December 31,			Gain (loss) for the Year Ende December 31,		
	2002	2001	2000	2002	2001	20
Equity investments, under the cost method	$ 17	$ 13	$ 14	$ —	$ (8)	$(1
Equity investments, under the equity method	16	12	49	(5)	(42)	(
Marketable securities, at market value	—	4	4	2	(4)	
	$ 33	$ 29	$ 67	$ (3)	$ (54)	$(1

Valuation of Property, Plant and Equipment

The Company evaluates the recoverability of property, plant and equipment, for impairment when events or changes in circumstances indicat that the carrying amount of an asset may not be recoverable. Such events or changes in circumstances could include such factors as changes i technological advances, fluctuations in the fair value of such assets, adverse changes in relationships with local franchise authorities, adverse changes in market conditions or poor operating results. If a review indicates that the carrying value of such asset is not recoverable from estimated undiscounted cash flows, the carrying value of such asset is reduced to its estimated fair value. While the Company believes that it estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect its evaluations of asset recoverability. No impairment of property, plant and equipment occurred in 2002, 2001 and 2000.

Derivative Financial Instruments

The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements, interest rate cap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) as required under the terms of the credit faciliti of the Company's subsidiaries. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest r swap agreements, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calcula by reference to an agreed-upon notional principal amount. Interest rate cap agreements are used to lock in a maximum interest rate should variable rates rise, but enable the Company to otherwise pay lower market rates. Interest rate collar agreements are used to limit exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates. The Company does not hold or issue any derivative financial instruments for trading purposes.

Revenue Recognition

Revenues from analog, digital and high-speed data services are recognized when the related services are provided. Advertising sales are recognized in the period that the advertisements are broadcast. Local governmental authorities impose franchise fees on the Company rangin up to a federally mandated maximum of 5% of gross revenues as defined in the franchise agreement. Such fees are collected on a monthly ba from the Company's customers and are periodically remitted to local franchise authorities. Franchise fees collected and paid are reported as revenues and expenses, respectively.

Programming Costs

The Company has various contracts to obtain analog, digital and premium programming from program suppliers whose compensation is typically based on a flat fee per customer. The cost of the right to exhibit network programming under such arrangements is recorded in operating expenses in the month the programming is available for exhibition. Programming costs are paid each month based on calculations performed by the Company and are subject to adjustment based on periodic audits performed by the programmers. Additionally, certain programming contracts contain launch incentives to be paid by the programmers. The Company receives these upfront payments related to th promotion and activation of the programmer's cable television channel and defers recognition of the

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launch incentives over the life of the programming agreement as an offset to programming expense. This offset to programming expense was $57 million, $35 million and $4 million for the years ended December 31, 2002, 2001 and 2000, respectively. Total programming costs paid programmers were $1.2 billion, $951 million and $763 million for the years ended December 31, 2002, 2001 and 2000, respectively. As of December 31, 2002, 2001 and 2000, the deferred amount of launch incentives, included in other long-term liabilities, totaled $210 million, $215 million and $126 million, respectively.

Advertising Costs

Advertising costs, including advertising associated with the launch of cable channels, are generally expensed as costs are incurred. Advertisir expense was $74 million, $52 million and $60 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Stock-Based Compensation

The Company has historically accounted for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Bas Compensation." On January 1, 2003, the Company adopted the fair value measurement provisions of SFAS No. 123 using the prospective method under which the Company will recognize compensation expense of a stock-based award to an employee over the vesting period base on the fair value of the award on the grant date consistent with the method described in Financial Accounting Standards Board Interpretation No. 28 (FIN 28), *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. Adoption of these provisions will result in utilizing a preferable accounting method as the consolidated financial statements will present the estimated fair value of stock-based compensation in expense consistently with other forms of compensation and other expense associated with goods and services receive for equity instruments. In accordance with SFAS No. 148, the fair value method will be applied only to awards granted or modified after January 1, 2003, whereas awards granted prior to such date will continue to be accounted for under APB No. 25, unless they are modified or settled in cash. Management believes the adoption of these provisions will not have a material impact on the consolidated results of operatior or financial position of the Company. The ongoing effect on consolidated results of operations or financial position will be dependent upon future stock based compensation awards granted by the Company. Had the Company adopted SFAS No. 123 as of January 1, 2002, using the prospective method, option compensation expense for the year ended December 31, 2002 would have been approximately $20 million.

SFAS No. 123 requires pro forma disclosure of the impact on earnings as if the compensation expense for these plans had been determined using the fair value method. The following table presents the Company's net loss and loss per share as reported and the pro forma amounts th would have been reported using the fair value method under SFAS 123 for the years presented:

	Year Ended December 31,		
	2002	2001	2000
Net loss applicable to common stock (in millions):	$(2,517)	$(1,168)	$ (858
Pro forma	(2,571)	(1,226)	(878
Loss per common shares, basic and diluted:	(8.55)	(4.33)	(3.80
Pro forma	(8.73)	(4.55)	(3.89

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for grants during the years ended December 31, 2002, 2001 and 2000, respectively: risk-free interest rates of 3.6%, 4.7%, and 6.5%; expected volatility of 64.2%, 56.2% and 43.8%; and expected lives of 3.3 years, 3.7 years and 3.5 years, respectively. The valuations assume no dividends are paid.

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Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis the Company's assets and liabilities and expected benefits of utilizing net operating loss carryforwards. The impact on deferred taxes of changes in tax rates and tax law, if any, applied to the years during which temporary differences are expected to be settled, are reflected in th consolidated financial statements in the period of enactment (see Note 22).

Minority Interest

Minority interest represents total members' equity of Charter Holdco not owned by Charter, plus preferred membership interests in an indire subsidiary of Charter held by certain sellers of the Bresnan systems, less redeemable securities. Minority interest totaled $1.0 billion, $4.4 billion and $4.5 billion as of December 31, 2002, 2001 and 2000, respectively, on the accompanying consolidated balance sheets. Gains losses arising from issuances by Charter Holdco of its membership units are recorded as capital transactions thereby increasing or decreasing shareholders' equity and decreasing or increasing minority interest on the consolidated balance sheets. These gains (losses) totaled ($1) milli ($253) million and ($272) million for the years ended December 31, 2002, 2001 and 2000, respectively, on the accompanying consolidated statements of changes in shareholders' equity. Operating losses are allocated to the minority owners based on their ownership percentage, thereby reducing the Company's net loss.

Loss per Common Share

Basic loss per common share is computed by dividing the net loss applicable to common stock by 294,440,261 shares, 269,594,386 shares ar 225,697,775 shares for the years ended December 31, 2002, 2001 and 2000, representing the weighted-average common shares outstanding during the respective periods. Diluted loss per common share equals basic loss per common share for the periods presented, as the effect of stock options is antidilutive because the Company incurred net losses. All membership units of Charter Holdco are exchangeable on a one-fo one basis into common stock of Charter at the option of the holders. Should the holders exchange units for shares, the effect would not be dilutive.

Segments

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," established standards for reporting information about operating segments in annual financial statements and in interim financial reports issued to shareholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance of th segment.

The Company's operations are managed on the basis of distinct geographic regional and divisional operating segments. The Company has evaluated the criteria for aggregation of the geographic operating segments under paragraph 17 of SFAS No. 131 and believes it meets each o the respective criteria set forth. The Company delivers similar products and services within each of its geographic divisional operations. Each geographic and divisional service area utilizes similar means for delivering the programming of the Company's services; have similarity in th type or class of customer receiving the products and services; distributes the Company's services over a unified network; and operates within consistent regulatory environment. In addition, each of the geographic regional and divisional operating segments has similar economic characteristics. Accordingly, management has determined that the Company has one reportable segment, broadband services.

5. Acquisitions

On February 28, 2002, CC Systems, LLC, a subsidiary of the Company, and High Speed Access Corp. (HSA) closed the Company's acquisition from HSA of the contracts and associated assets, and assumed related liabilities,

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that served certain of the Company's high-speed data customers. At closing, the Company paid $78 million in cash and delivered 37,000 sh of HSA's Series D convertible preferred stock and all the warrants to buy HSA common stock owned by the Company. An additional $2 million of purchase price was retained to secure indemnity claims. The purchase price has been allocated to assets acquired and liabilities assumed based on fair values as determined in the fourth quarter of 2002 by a third-party valuation expert, including $8 million assigned to intangible assets and amortized over an average useful life of three years and $54 million assigned to goodwill. The finalization of the purch price did not have a material effect on amortization expense previously reported. During the period from 1997 to 2000, certain subsidiaries c the Company entered into Internet-access related service agreements with HSA, and both Vulcan Ventures and certain of the Company's subsidiaries made equity investments in HSA. (See Note 23 for additional information).

In April 2002, Interlink Communications Partners, LLC, Rifkin Acquisition Partners, LLC and Charter Communications Entertainment I, LI each an indirect, wholly-owned subsidiary of Charter Holdings, completed the purchase of certain assets of Enstar Income Program II-2, L.P Enstar Income Program IV-3, L.P., Enstar Income/Growth Program Six-A, L.P., Enstar Cable of Macoupin County and Enstar IV/PBD Systems Venture, serving in the aggregate approximately 21,600 (unaudited) customers, for a total cash purchase price of $48 million. In September 2002, Charter Communications Entertainment I, LLC purchased all of Enstar Income Program II-1, L.P.'s Illinois cable televisio systems, serving approximately 6,400 (unaudited) customers, for a cash purchase price of $15 million. Enstar Communications Corporation, direct subsidiary of Charter Holdco, is a general partner of the Enstar limited partnerships but does not exercise control over them. The purchase prices were allocated to assets acquired based on fair values, including $41 million assigned to franchises and $4 million assigned t customer relationships amortized over a useful life of three years.

During the second and third quarters in 2001, the Company acquired cable systems in two separate transactions. In connection with the acquisitions, the Company paid aggregate cash consideration of $1.8 billion, transferred a cable system valued at $25 million, issued 505,66 shares of Charter Series A Convertible Redeemable Preferred Stock valued at $51 million, and in the first quarter of 2003 issued 39,595 additional shares of Series A Convertible Redeemable Preferred Stock to certain sellers subject to certain holdback provisions of the acquisit agreement valued at $4 million. The purchase prices were allocated to assets acquired and liabilities assumed based on fair values, including amounts assigned to franchises of $1.5 billion.

During 2000, the Company acquired cable systems in five separate transactions for an aggregate purchase price of $1.2 billion, net of cash acquired, excluding debt assumed of $963 million. In connection with the acquisitions, Charter issued shares of Class A common stock value at approximately $178 million, and Charter Holdco and an indirect subsidiary of Charter Holdco issued equity interests totaling $385 million and $629 million, respectively. The purchase prices were allocated to assets and liabilities assumed based on relative fair values, including amounts assigned to franchises of $3.3 billion.

The transactions described above were accounted for using the purchase method of accounting, and, accordingly, the results of operations of the acquired assets and assumed liabilities have been included in the consolidated financial statements from their respective dates of acquisition. The purchase prices were allocated to assets acquired and liabilities assumed based on fair values.

The summarized operating results of the Company that follow are presented on a pro forma basis as if the following had occurred on January 2000: all acquisitions and dispositions completed during 2000 and 2001; the issuance of Charter Holdings senior notes and senior discount notes in January 2002 and 2001; the issuance of Charter Holdings senior notes and senior discount notes in May 2001; and the issuance of an sale by Charter of convertible senior notes and Class A common stock in May 2001. Adjustments have been made to give effect to amortization of franchises acquired prior to July 1, 2001, interest expense, minority interest, and certain other adjustments. Pro forma results for the year ended December 31, 2002 would not differ significantly from historical results.

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	Year Ended December 31,	
	2001	2000
	(in millions, except per share data)	
Revenues	$ 3,969	$ 3,501
Loss from operations	(1,200)	(1,121)
Loss before minority interest	(2,727)	(2,426)
Net loss	(1,251)	(1,134)
Loss per common share, basic and diluted	(4.64)	(5.02)

The unaudited pro forma financial information has been presented for comparative purposes and does not purport to be indicative of the consolidated results of operations had these transactions been completed as of the assumed date or which may be obtained in the future.

6. Allowance for Doubtful Accounts

Activity in the allowance for doubtful accounts is summarized as follows for the years presented (in millions):

	Year Ended December 31,		
	2002	2001	20(
Balance, beginning of year	$ 33	$ 12	$ 1
Acquisitions of cable systems	—	1	
Charged to expense	108	95	4
Uncollected balances written off, net of recoveries	(122)	(75)	(4
Balance, end of year	$ 19	$ 33	$ 1

7. Property, Plant and Equipment

Property, plant and equipment consists of the following as of December 31, 2002, 2001 and 2000 (in millions):

	2002	2001	2000
Cable distribution systems	$ 8,950	$ 7,877	$ 5,289
Land, buildings and leasehold improvements	580	506	282
Vehicles and equipment	783	459	408
	10,313	8,842	5,979
Less: accumulated depreciation	(2,634)	(1,928)	(1,150)
	$ 7,679	$ 6,914	$ 4,829

The Company periodically evaluates the estimated useful lives used to depreciate its assets and the estimated amount of assets that will be abandoned or have minimal use in the future. A significant change in assumptions about the extent or timing of future asset retirements, or in the Company's upgrade program, could materially affect future depreciation expense.

For the years ended December 31, 2002, 2001 and 2000, depreciation expense was $1.4 billion, $1.2 billion, and $1.0 billion, respectively.

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8. Franchises and Goodwill

On January 1, 2002, the Company adopted SFAS No. 142, which eliminates the amortization of indefinite lived intangible assets. According beginning January 1, 2002, all franchises that qualify for indefinite life treatment under SFAS No. 142 are no longer amortized against earnii but instead will be tested for impairment annually, or more frequently as warranted by events or changes in circumstances. During the first quarter of 2002, the Company had an independent appraiser perform valuations of its franchises as of January 1, 2002. Based on the guidanc prescribed in Emerging Issues Task Force (EITF) Issue No. 02-7, *Unit of Accounting for Testing of Impairment of Indefinite-Lived Intangibl Assets*, franchises were aggregated into essentially inseparable asset groups to conduct the valuations. The asset groups generally represent geographic clusters of the Company's cable systems, which management believes represents the highest and best use of those assets. Fair va was determined based on estimated discounted future cash flows using reasonable and appropriate assumptions that are consistent with inten forecasts. As a result, the Company determined that franchises were impaired and recorded the cumulative effect of a change in accounting principle of $266 million (approximately $572 million before minority interest effects). The effect of adoption was to increase net loss and lc per share by $266 million and $0.90, respectively. As required by SFAS No. 142, the standard has not been retroactively applied to the resul for the period prior to adoption.

The Company performed its annual impairment assessment on October 1, 2002 using an independent third-party appraiser and following the guidance of EITF Issue 02-17, *Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination,* which was issı in October 2002 and requires the consideration of assumptions that marketplace participants would consider, such as expectations of future contract renewals and other benefits related to the intangible asset. Revised earnings forecasts and the methodology required by SFAS No. 1 which excludes certain intangibles led to recognition of a $4.6 billion impairment in the fourth quarter of 2002.

The independent third-party appraiser's valuation as of October 1, 2002 yielded an enterprise value of approximately $25 billion, which included $3 billion assigned to customer relationships. SFAS No. 142 does not permit the recognition of the customer relationship asset not previously recognized. Accordingly, the analysis of the impairment could not include approximately $373 million and $2.9 billion attributab to customer relationship values as of January 1, 2002 and October 1, 2002, respectively.

In determining whether its franchises have an indefinite life, the Company considered the exclusivity of the franchise, its expected costs of franchise renewals, and the technological state of the associated cable systems with a view to whether or not the Company is in compliance with any technology upgrading requirements. Certain franchises did not qualify for indefinite-life treatment due to technological or operatioı factors that limit their lives. These franchise costs will be amortized on a straight-line basis over 10 years.

The effect of the adoption of SFAS No. 142 as of December 31, 2002 and 2001 is presented in the following table (in millions):

	December 31,								
	2002			2001			2000		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Ne Carry Amo
Indefinite-lived intangible assets:									
Franchises with indefinite lives	$17,076	$ 3,428	$13,648	$22,255	$ 3,428	$18,827	$20,742	$ 2,000	$18,7
Goodwill	54	—	54	—	—	—	—	—	
	$17,130	$ 3,428	$13,702	$22,255	$ 3,428	$18,827	$20,742	$ 2,000	$18,7
Finite-lived intangible assets:									
Franchises with finite lives	$ 103	$ 24	$ 79	$ 99	$ 15	$ 84	$ 99	$ 6	$

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Franchise amortization expense for the year ended December 31, 2002 was $9 million, which represents the amortization relating to franchise that did not qualify for indefinite-life treatment under SFAS No. 142, including costs associated with franchise renewals. For each of the next five years, amortization expense relating to these franchises is expected to be approximately $8 million. Franchise amortization expense for tl years ended December 31, 2001 and 2000 was $1.4 billion and $1.4 billion, respectively.

As required by SFAS No. 142, the standard has not been retroactively applied to the results for the period prior to adoption. A reconciliation net loss for the year ended December 31, 2002, 2001 and 2000, as if SFAS No. 142 had been adopted as of January 1, 2000, is presented belo (in millions):

	Year ended December 31,		
	2002	2001	2000
NET LOSS:			
Reported net loss applicable to common stock	$(2,517)	$(1,168)	$ (858)
Add back: amortization of indefinite-lived franchises	—	1,453	1,341
Less: minority interest	—	(808)	(800)
Adjusted net loss applicable to common stock	$(2,517)	$ (523)	$ (317)
BASIC AND DILUTED LOSS PER COMMON SHARE:			
Reported net loss per share	$ (8.55)	$ (4.33)	$ (3.80)
Add back: amortization of indefinite-lived franchises	—	5.39	5.94
Less: minority interest	—	(3.00)	(3.54)
Adjusted net loss per share	$ (8.55)	$ (1.94)	$ (1.40)

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2002, 2001 and 2000 (in millions):

	2002	2001	2000
Accounts payable	$ 290	$ 297	$ 364
Capital expenditures	141	196	285
Accrued interest	243	230	193
Programming costs	237	191	173
Accrued general and administrative	126	119	72
Franchise fees	68	62	53
State sales tax	67	52	29
Other accrued expenses	233	232	174
	$1,405	$1,379	$1,343

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10. Long-Term Debt

Long-term debt consists of the following as of December 31, 2002, 2001 and 2000 (in millions):

	2002		2001		2000	
	Face Value	Accreted Value	Face Value	Accreted Value	Face Value	Accreted Value
Long-Term Debt						
Charter Communications, Inc.:						
October and November 2000						
5.75% convertible senior notes due 2005	$ 750	$ 750	$ 750	$ 750	$ 750	$ 750
May 2001						
4.75% convertible senior notes due 2006	633	633	633	633	—	—
Charter Holdings:						
March 1999						
8.250% senior notes due 2007	600	599	600	599	600	599
8.625% senior notes due 2009	1,500	1,497	1,500	1,497	1,500	1,496
9.920% senior discount notes due 2011	1,475	1,307	1,475	1,187	1,475	1,077
January 2000						
10.000% senior notes due 2009	675	675	675	675	675	675
10.250% senior notes due 2010	325	325	325	325	325	325
11.750% senior discount notes due 2010	532	421	532	376	532	335
January 2001						
10.750% senior notes due 2009	900	900	900	899	—	—
11.125% senior notes due 2011	500	500	500	500	—	—
13.500% senior discount notes due 2011	675	454	675	398	—	—
May 2001						
9.625% senior notes due 2009	350	350	350	350	—	—
10.000% senior notes due 2011	575	575	575	575	—	—
11.750% senior discount notes due 2011	1,018	693	1,018	618	—	—
January 2002						
9.625% senior notes due 2009	350	348	—	—	—	—
10.000% senior notes due 2011	300	298	—	—	—	—
12.125% senior discount notes due 2012	450	280	—	—	—	—
Senior bridge loan facility	—	—	—	—	273	273
Renaissance:						
10.00% senior discount notes due 2008	114	113	114	104	114	95
CC V Holdings:						
11.875% senior discount notes due 2008	180	163	180	146	180	132
Other long-term debt	1	1	1	1	2	2
Credit Facilities						
Charter Operating	4,542	4,542	4,145	4,145	4,432	4,432
CC Michigan, LLC and CC New England, LLC (Avalon)	—	—	—	—	213	213
CC VI	926	926	901	901	895	895
Falcon Cable	1,155	1,155	582	582	1,050	1,050
CC VIII Operating	1,166	1,166	1,082	1,082	712	712
	$19,692	$18,671	$17,513	$16,343	$13,728	$13,061

The accreted values presented above represent the face value of the notes less the original issue discount at the time of sale plus the accretion the balance sheet date.

5.75% Charter Convertible Notes. In October and November 2000, the Company issued 5.75% convertible senior notes with an aggregate principal amount at maturity of $750 million (the "5.75% Charter Convertible Notes"). The net proceeds of $728 million were used to repay certain amounts outstanding under the Charter Holdings 2000 senior bridge loan facility. The 5.75% Charter Convertible Notes are convertibl at the option of the holder into shares of

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Class A common stock at a conversion rate of 46.3822 shares per $1,000 principal amount of notes, which is equivalent to a price of $21.56 p share, subject to certain adjustments. Specifically, the adjustments include anti-dilutive provisions, which cause adjustments to occur automatically based on the occurrence of specified events to provide protection rights to holders of the notes. Additionally, the conversion rat may be adjusted by the Company when deemed appropriate. These notes are redeemable at the option of the Company at amounts decreasing from 102.3% to 100% of the principal amount plus accrued and unpaid interest beginning on October 15, 2003, to the date of redemption. Interest is payable semiannually on April 15 and October 15, beginning April 15, 2001, until maturity on October 15, 2005.

4.75% Charter Convertible Notes. In May 2001, the Company issued 4.75% convertible senior notes with an aggregate principal amount at maturity of $633 million (the "4.75% Charter Convertible Notes"). The net proceeds of $609 million were used to repay certain amounts outstanding under the revolving portions of the credit facilities of the Company's subsidiaries and for general corporate purposes, including capital expenditures. The 4.75% Charter Convertible Notes are convertible at the option of the holder into shares of Class A common stock a conversion rate of 38.0952 shares per $1,000 principal amount of notes, which is equivalent to a price of $26.25 per share, subject to certain adjustments. Specifically, the adjustments include anti-dilutive provisions, which automatically occur based on the occurrence of specified events to provide protection rights to holders of the notes. Additionally, the conversion ratio may be adjusted by the Company when deemed appropriate. These notes are redeemable at the option of the Company at amounts decreasing from 101.9% to 100% of the principal amount, plus accrued and unpaid interest beginning on June 4, 2004, to the date of redemption. Interest is payable semiannually on December 1 and June 1, beginning December 1, 2001, until maturity on June 1, 2006.

The 5.75% Charter Convertible Notes and the 4.75% Charter Convertible Notes rank equally with any future unsubordinated and unsecured indebtedness of Charter, but are structurally subordinated to all existing and future indebtedness and other liabilities of the Company's subsidiaries. Upon a change of control, subject to certain conditions and restrictions, the Company may be required to repurchase the notes, whole or in part, at 100% of their principal amount plus accrued interest at the repurchase date.

March 1999 Charter Holdings Notes. In March 1999, Charter Holdings and Charter Communications Holdings Capital Corporation ("Chart Capital") (collectively, the "Issuers") issued $3.6 billion principal amount of senior notes. The March 1999 Charter Holdings notes consistec $600 million in aggregate principal amount of 8.250% senior notes due 2007, $1.5 billion in aggregate principal amount of 8.625% senior n due 2009, and $1.5 billion in aggregate principal amount at maturity of 9.920% senior discount notes due 2011. The net proceeds of approximately $2.9 billion, combined with the borrowings under the Company's credit facilities, were used to consummate tender offers for publicly held debt of several of the Company's subsidiaries, as described below, to refinance borrowings under the Company's previous cre facilities, for working capital purposes and to finance acquisitions.

The 8.250% senior notes are not redeemable prior to maturity. Interest is payable semiannually in arrears on April 1 and October 1, beginnir October 1, 1999, until maturity.

The 8.625% senior notes are redeemable at the option of the Issuers at amounts decreasing from 104.313% to 100% of par value plus accrue and unpaid interest beginning on April 1, 2004, to the date of redemption. Interest is payable semiannually in arrears on April 1 and Octobe beginning October 1, 1999, until maturity.

The 9.920% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 104.960% to 100% of accreted va beginning April 1, 2004. Thereafter, cash interest is payable semiannually in arrears on April 1 and October 1 beginning October 1, 2004, u maturity. The discount on the 9.920% senior discount notes is being accreted using the effective interest method.

January 2000 Charter Holdings Notes. In January 2000, Charter Holdings and Charter Capital issued $1.5 billion principal amount of senio notes. The January 2000 Charter Holdings notes consisted of $675 million in aggregate principal amount of 10.000% senior notes due 2009 $325 million in aggregate principal amount of 10.250% senior notes due 2010, and $532 million in aggregate principal amount at maturity c 11.750% senior discount notes due

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2010. The net proceeds of approximately $1.25 billion were used to consummate change of control offers for certain of the Falcon, Avalon and Bresnan notes and debentures.

The 10.000% senior notes are not redeemable prior to maturity. Interest is payable semiannually on April 1 and October 1, beginning April 1, 2000 until maturity.

The 10.250% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.125% to 100% of par value plus accrue and unpaid interest, beginning on January 15, 2005, to the date of redemption. Interest is payable semiannually in arrears on January 15 and July 15, beginning on July 15, 2000, until maturity.

The 11.750% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 105.875% to 100% of accreted val beginning January 15, 2005. Interest is payable semiannually in arrears on January 15 and July 15, beginning on July 15, 2005, until maturity The discount on the 11.750% senior discount notes is being accreted using the effective interest method.

January 2001 Charter Holdings Notes. In January 2001, Charter Holdings and Charter Capital issued $2.1 billion in aggregate principal amount of senior notes. The January 2001 Charter Holdings notes consisted of $900 million in aggregate principal amount of 10.750% senior notes due 2009, $500 million in aggregate principal amount of 11.125% senior notes due 2011 and $675 million in aggregate principal amou at maturity of 13.500% senior discount notes due 2011. The net proceeds of approximately $1.72 billion were used to repay all remaining amounts then outstanding under the Charter Holdings 2000 senior bridge loan facility and the CC VI revolving credit facility and a portion of the amounts then outstanding under the Charter Operating and CC VII revolving credit facilities and for general corporate purposes.

The 10.750% senior notes are not redeemable prior to maturity. Interest is payable semiannually in arrears on April 1 and October 1, beginnir October 1, 2001, until maturity.

The 11.125% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.563% to 100% of par value plus accrue and unpaid interest beginning on January 15, 2006, to the date of redemption. At any time prior to January 15, 2004, the Issuers may redeem to 35% of the aggregate principal amount of the 11.125% senior notes at a redemption price of 111.125% of the principal amount under certa conditions. Interest is payable semiannually in arrears on January 15 and July 15, beginning July 15, 2001, until maturity.

The 13.500% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 106.750% to 100% of accreted val beginning January 15, 2006. At any time prior to January 15, 2004, the Issuers may redeem up to 35% of the aggregate principal amount of th 13.500% senior discount notes at a redemption price of 113.500% of the accreted value under certain conditions. Thereafter, cash interest is payable semiannually in arrears on January 15 and July 15 beginning July 15, 2006, until maturity. The discount on the 13.500% senior discount notes is being accreted using the effective interest method.

May 2001 Charter Holdings Notes. In May 2001, Charter Holdings and Charter Capital issued $1.94 billion in aggregate principal amount of senior notes. The May 2001 Charter Holdings notes consisted of $350 million in aggregate principal amount of 9.625% senior notes due 2009 $575 million in aggregate principal amount of 10.000% senior notes due 2011 and $1.0 billion in aggregate principal amount at maturity of 11.750% senior discount notes due 2011. The net proceeds of approximately $1.47 billion were used to pay a portion of the purchase price of the AT&T transactions, repay all amounts outstanding under the Charter Operating and Falcon Cable revolving credit facilities and for genera corporate purposes, including capital expenditures.

The 9.625% senior notes are not redeemable prior to maturity. Interest is payable semiannually in arrears on May 15 and November 15, beginning November 15, 2001, until maturity.

The 10.000% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.000% to 100% of par value plus accrue and unpaid interest beginning on May 15, 2006, to the date of redemption. At any time prior

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to May 15, 2004, the Issuers may redeem up to 35% of the aggregate principal amount of the 10.000% senior notes at a redemption price of 110.000% of the principal amount under certain conditions. Interest is payable semiannually in arrears on May 15 and November 15, beginni November 15, 2001, until maturity.

The 11.750% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 105.875% to 100% of accreted val beginning January 15, 2006. At any time prior to May 15, 2004, the Issuers may redeem up to 35% of the aggregate principal amount of the 11.750% senior discount notes at a redemption price of 111.750% of the accreted value under certain conditions. Thereafter, cash interest is payable semiannually in arrears on May 15 and November 15 beginning November 15, 2006, until maturity. The discount on the 11.750% senior discount notes is being accreted using the effective interest method.

January 2002 Charter Holdings Notes. In January 2002, Charter Holdings and Charter Capital, issued $1.1 billion in aggregate principal amount at maturity of senior notes and senior discount notes. The January 2002 Charter Holdings notes consisted of $350 million in aggregat principal amount of 9.625% senior notes due 2009, $300 million in aggregate principal amount of 10.000% senior notes due 2011 and $450 million in aggregate principal amount at maturity of 12.125% senior discount notes due 2012. The net proceeds of approximately $873 million were primarily used to repay a portion of the amounts outstanding under the revolving credit facilities of the Company's subsidiaries.

The 9.625% senior notes are not redeemable prior to maturity. Interest is payable semi-annually in arrears on May 15 and November 15, beginning May 15, 2002, until maturity.

The 10.000% senior notes are redeemable at the option of the Issuers at amounts decreasing from 105.000% to 100% of par value plus accrue and unpaid interest beginning on May 15, 2006, to the date of redemption. At any time prior to May 15, 2004, the Issuers may redeem up to 35% of the aggregate principal amount of the 10.000% senior notes at a redemption price of 110.000% of the principal amount under certain conditions. Interest is payable semi-annually in arrears on May 15 and November 15, beginning May 15, 2002, until maturity.

The 12.125% senior discount notes are redeemable at the option of the Issuers at amounts decreasing from 106.063% to 100% of accreted valu beginning January 15, 2007. At any time prior to January 15, 2005, the issuers may redeem up to 35% of the aggregate principal amount of the 12.125% senior discount notes at a redemption price of 112.125% of the accreted value under certain conditions. Cash interest is payable semi annually in arrears on January 15 and July 15 beginning July 15, 2007, until maturity. The discount on the 12.125% senior discount notes is being accreted using the effective interest method.

Renaissance Notes. In connection with the acquisition of Renaissance in April 1999, the Company assumed $163 million principal amount at maturity of 10.000% senior discount notes due 2008 of which $49 million was repurchased in May 1999. The Renaissance notes do not require the payment of interest until April 15, 2003. From and after April 15, 2003, the Renaissance notes bear interest, payable semi-annually in cash, on April 15 and October 15, commencing on October 15, 2003. The Renaissance notes are due on April 15, 2008.

CC V Holdings Notes. Charter Holdco acquired CC V Holdings in November 1999 and assumed CC V Holdings' outstanding 11.875% senior discount notes due 2008 with an accreted value of $123 million and $150 million in principal amount of 9.375% senior subordinated notes due 2008. After December 1, 2003, cash interest on the CC V Holdings 11.875% notes will be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2004. In addition, a principal payment of $66 million is due on December 1, 2003.

In January 2000, through change of control offers and purchases in the open market, the Company repurchased all of the $150 million aggregate principal amount of the CC V Holdings 9.375% notes. Contemporaneously, the Company completed change of control offers in which it repurchased $16 million aggregate principal amount at maturity of the 11.875% senior discount notes.

High Yield Restrictive Covenants; Limitation on Indebtedness. The indentures governing the public notes of the

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Company's subsidiaries contain certain covenants that restrict the ability of Charter Holdings, Charter Capital, the CCV notes issuers, Renaissance Media Group, and all of their restricted subsidiaries to:

- incur additional debt;
- pay dividends on equity or repurchase equity;
- grant liens;
- make investments;
- sell all or substantially all of their assets or merge with or into other companies;
- sell assets;
- enter into sale-leasebacks;
- in the case of restricted subsidiaries, create or permit to exist dividend or payment restrictions with respect to the bond issuers, guarantee their parent companies debt, or issue specified equity interests; and
- engage in certain transactions with affiliates.

Charter Operating Credit Facilities. The Charter Operating credit facilities provide for borrowings of up to $5.2 billion and provide for four term facilities: two Term A facilities with an aggregate principal amount of $1.11 billion that matures in September 2007, each with different amortization schedules, one beginning in June 2002 and one beginning in September 2005; and two Term B facilities with an aggregate principal amount of $2.73 billion, of which $1.84 billion matures in March 2008 and $893 million matures in September 2008. The Charter Operating credit facilities also provide for two revolving credit facilities, in an aggregate amount of $1.34 billion, which will reduce annually beginning in March 2004 and September 2005, with a maturity date in September 2007. At the option of the lenders, supplemental credit facilities in the amount of $100 million may be available. Amounts under the Charter Operating credit facilities bear interest at the Base Rate the Eurodollar rate, as defined, plus a margin of up to 2.75% for Eurodollar loans (4.58% to 3.13% as of December 31, 2002) and 1.75% for base rate loans. A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of the revolving credit facilities. As of December 31, 2002, outstanding borrowings were approximately $4.5 billion and the unused total potential availability was $633 million although financial covenants limited our availability to $318 million as of December 31, 2002.

CC VI Operating Credit Facilities. The CC VI Operating credit facilities provide for two term facilities, one with a principal amount of $450 million that matures May 2008 (Term A), and the other with a principal amount of $400 million that matures November 2008 (Term B) The CC VI Operating credit facilities also provide for a $350 million reducing revolving credit facility with a maturity date in May 2008. At the option of the lenders, supplemental credit facilities in the amount of $300 million may be available until December 31, 2004. Amounts under the CC VI Operating credit facilities bear interest at the base rate or the Eurodollar rate, as defined, plus a margin of up to 3.0% for Eurodollar loans (4.31% to 2.62% as of December 31, 2002) and 2.0% for base rate loans. A quarterly commitment fee of between 0.250% ar 0.375% per annum is payable on the unborrowed balance of the Term A facility and the revolving facility. As of December 31, 2002, outstanding borrowings were $926 million and unused total potential availability was $274 million although financial covenants limited our availability to $127 million as of December 31, 2002.

Falcon Cable Credit Facilities. The Falcon Cable credit facilities provide for two term facilities, one with a principal amount of $192 million that matures June 2007 (Term B), and the other with the principal amount of $288 million that matures December 2007 (Term C). The Falcon Cable credit facilities also provide for a reducing revolving facility of up to approximately $68 million (maturing in December 2006), a reducing supplemental facility of up to $110 million (maturing in December 2007) and a second reducing revolving facility of up to $670 million (maturing in June 2007). At the option of the lenders, supplemental credit facilities in the amount of up to $486 million may also be available. Amounts under the Falcon Cable credit facilities bear interest at the base rate or the Eurodollar rate, as defined, plus a margin of up to 2.5% for Eurodollar loans (4.07% to 2.685% as of December 31, 2002) and up to 1.5% for base rate loans. A quarterly commitment fee of between 0.25% and 0.375% per annum is payable on the unborrowed balance of the revolving facilities. As of December 31, 2002, outstanding borrowings were $1.2 billion and unused total potential

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availability was $173 million, all of which would have been available based on financial covenants as of December 31, 2002.

CC VIII Operating Credit Facilities. The CC VIII Operating credit facilities provide for borrowings of up $1.49 billion as of December 31, 2002. The CC VIII credit facilities provide for three term facilities, two Term A facilities with a reduced current aggregate principal amount $450 million, that continues reducing quarterly until they reach maturity in June 2007, and a Term B facility with a reduced current principal amount of $495 million, that continues reducing quarterly until it reaches maturity in February 2008. The CC VIII Operating credit facilities also provide for two reducing revolving credit facilities, in the aggregate amount of $547 million, which will reduce quarterly beginning in March 2002 and September 2005, respectively, with maturity dates in June 2007. At the option of the lenders, supplemental facilities in the amount of $300 million may be available. Amounts under the CC VIII Operating credit facilities bear interest at the base rate or the Eurodoll rate, as defined, plus a margin of up to 2.75% for Eurodollar loans (4.54% to 2.89% as of December 31, 2002) and up to 1.75% for base rate loans. A quarterly commitment fee of between 0.250% and 0.375% is payable on the unborrowed balance of the revolving credit facilities. A of December 31, 2002, outstanding borrowings were $1.2 billion, and unused total potential availability was $326 million, all of which woulc have been available based on financial covenants as of December 31, 2002.

Obligations under the credit facilities of the Company's subsidiaries are guaranteed by each respective subsidiary's parent and by each of the operating subsidiaries. The obligations under the credit facilities of the Company's subsidiaries are secured by pledges of all equity interests owned by each subsidiary and its operating subsidiaries in other persons, and intercompany obligations owing to each subsidiary and/or its operating subsidiaries by their affiliates, but are not secured by the other assets of each subsidiary or its operating subsidiaries. The obligation under each subsidiary's credit facilities are also secured by pledges by the subsidiary's parent of all equity interests it holds in other persons, and intercompany obligations owing to it by its affiliates, but are not secured by the other assets of the subsidiary's parent.

Each of the credit facilities of the Company's subsidiaries contain representations and warranties, affirmative and negative covenants similar those described above with respect to the indentures governing the public notes of the Company's subsidiaries, information requirements, events of default and financial covenants. The financial covenants, which are generally tested on a quarterly basis, measure performance against standards set for leverage, debt service coverage, and operating cash flow coverage of cash interest expense. Additionally, the credit facilities contain provisions requiring mandatory loan prepayments under specific circumstances, including when significant amounts of asset are sold and the proceeds are not promptly reinvested in assets useful in the business of the borrower. The Charter Operating credit facility als provides that in the event that any existing Charter Holdings notes or other long-term indebtedness of Charter Holdings remain outstanding or the date, which is six months prior to the scheduled final maturity, the term loans under the Charter Operating credit facility will mature and tl revolving credit facilities will terminate on such date.

In the event of a default under the Company's subsidiaries' credit facilities or public notes, the subsidiaries' creditors could elect to declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be due and payable. In such event, the subsidiaries' credit facilities and indentures that were so accelerated or were otherwise in default will not permit the Company's subsidiaries to distribute funds to Charter Holdco or the Company to pay interest or principal on the public notes. If the amounts outstanding under such credit facilities or publi notes are accelerated, all of the subsidiaries' debt and liabilities would be payable from the subsidiaries' assets, prior to any distribution of the subsidiaries' assets to pay the interest and principal amounts on the public notes. In addition, the lenders under the Company's credit facilities could foreclose on their collateral, which includes equity interests in the Company's subsidiaries, and exercise other rights of secured creditors In any such case, the Company might not be able to repay or make any payments on its public notes. Additionally, such a default would cause cross-default in the indentures governing the Charter Holdings notes and the convertible senior notes and would trigger the cross-default provision of the Charter Operating Credit Agreement. Any default under any of the subsidiaries' credit facilities or public notes might adversely affect the holders of the Company's public notes and the Company's growth, financial condition and results of operations and could force the Company to examine all options, including seeking the protection of the bankruptcy laws.

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Backup Credit Facility. Effective April 14, 2003, the Company entered into a commitment letter with Vulcan Inc., which is an affiliate of Pa Allen, pursuant to which Vulcan Inc. or an affiliate (the "lender") would lend initially to Charter Communications VII, LLC an aggregate amount of up to $300 million, which amount includes a subfacility of up to $100 million for the issuance of letters of credit. The borrower would be able to draw under the facility or have letters of credit issued, in each case within five business days of the end of each quarter endi on or prior to March 31, 2004. The loans and letters of credit could only be used to repay loans, or replace letters of credit, under the Company's operating subsidiaries' credit facilities to the extent required to comply with the leverage ratios under those credit facilities or to create cushions in excess of the minimum amount necessary to comply with such ratios. The facility would be guaranteed by the Company a certain of its subsidiaries and would be secured by a lien on the Company's corporate headquarters in St. Louis and certain corporate aircraft The Company would be required to use its commercially reasonable efforts to form a new interim holding company (CCH II, LLC) as a subsidiary of Charter Holdings and to cause Charter Holdings to transfer to it the equity interests in Charter Communications Operating LLC CC VI Holdings, LLC, Charter Communications VII, LLC and CC V Holdings, LLC, which transfer the Company refers to as the equity contribution. The equity interests to be transferred in the equity contribution have been pledged as security for the loans under the Charter Operating credit facility. The Company would also be required to use its commercially reasonable efforts to obtain the consent of the lenders under the Charter Operating credit facility to the grant to the lender of a second priority lien on the equity interests transferred to CCH II, LL Upon the equity contribution, CCH II, LLC would become the borrower under the facility.

In addition to the liens on our corporate headquarters, on the corporate aircraft and on the equity interests transferred pursuant to the equity contribution, the facility would also be secured on a pari passu basis by liens or security interests granted on any assets or properties (other th assets or properties of CCH II, LLC, which shall secure the facility on a first priority basis, subject to the prior lien in favor of the lenders un Charter Operating credit facility on the equity interests transferred pursuant to the equity contribution) to secure any indebtedness of us or an of our subsidiaries (other than the operating company credit facilities and other ordinary and customary exceptions to be determined).

The interest rate on the loans would be initially 13% per annum, reducing to 12% per annum at such time as CCH II, LLC became the borrov under the facility. If the borrower were unable to receive funds from its operating subsidiaries to pay such interest, the borrower would be abl to pay interest by delivering additional notes to the lender in the amount of the accrued interest calculated at the rate of 15% per annum, reducing to 14% per annum for any issuance after CCH II, LLC became the borrower under the facility. Such additional notes would bear interest at the same rate as, and otherwise be on the same terms as, the notes issued to represent the original loans under the facility. Upon the occurrence of an event of default, the interest rate would be increased by 2% per annum over the interest rate otherwise applicable.

If letters of credit are issued pursuant to the facility, the borrower would pay a letter of credit fee of 8% per annum of the face amount of the letter of credit.

The borrower would pay the lender a facility fee of 1.5% of the amount of the facility, payable over three years (with 0.5% being earned upor execution of the commitment letter and 1.0% being earned upon execution of the definitive documentation). In addition to the facility fee, the borrower would pay a commitment fee on the undrawn portion of the facility in the amount of 0.5% per annum commencing upon execution the definitive documentation.

The borrower would have the right to terminate the facility at any time that no loans or letters of credit are outstanding, although any fees earned prior to termination would remain payable. No amortization payments would be required prior to maturity. The facility would mature November 12, 2009, provided that at such time as CCH II, LLC became the borrower under the facility the maturity date would become March 1, 2007. The loan may not be prepaid prior to March 31, 2004, but the borrower would have the right to make prepayments at any time after March 31, 2004, without the payment of any premium or penalty. The borrower would be required to offer to purchase outstanding note evidencing the loans under the facility with the proceeds of certain asset sales and debt issuances.

The definitive documentation would contain customary representations, covenants, events of default and indemnification provisions including total leverage covenant and an interest coverage covenant, in each case modeled after the comparable covenants in the operating company credit facilities, with appropriate adjustments to be determined.

The facility is subject to the negotiation and execution of definitive documentation by June 30, 2003. If the parties have not executed the definitive documentation by that date, the facility will terminate. Once the documentation has been executed, the borrower's ability to draw or the facility would be subject to certain conditions, such as the use of other available funds for covenant compliance purposes, evidence of compliance with financial covenants, accuracy of representations and warranties, no material adverse change having occurred, there being no default under other credit facilities and indentures, and receipt of financial statements. Although the Company believes that it will be able to satisfy those conditions, there can be no assurance that the Company will be able to do so or that if

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the Company fails to do so it will be able to negotiate waivers of such conditions.

Based upon outstanding indebtedness as of December 31, 2002, the amortization of term loans, scheduled reductions in available borrowings the revolving credit facilities, and the maturity dates for all senior and subordinated notes and debentures, aggregate future principal payment on the total borrowings under all debt agreements as of December 31, 2002, are as follows:

Year	Amount
	(in millions)
2003	$ 236
2004	193
2005	1,210
2006	1,991
2007	2,647
Thereafter	13,415
	$19,692

For the amounts of debt scheduled to mature during 2003, it is management's intent to fund the repayments from borrowings on the Company revolving credit facility. The accompanying balance sheet reflects this intent by presenting all debt balances as long-term while the table abov reflects actual debt maturities as of the stated date.

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11. Minority Interest and Equity Interests of Charter Holdco

The Company is a holding company whose primary asset is a controlling equity interest in Charter Holdco, the indirect owner of the Company's cable systems. Minority interest on the Company's consolidated balance sheets represents the ownership percentages of Charter Holdco not owned by the Company, or 53.5% of total members' equity of Charter Holdco, plus $668 million, $655 million and $641 million preferred membership interests in CC VIII, LLC (CC VIII), an indirect subsidiary of Charter Holdco, as of December 31, 2002, 2001 and 20 respectively. As more fully described below, this preferred interest arises from the approximately $629 million of preferred units issued by C VIII in connection with the Bresnan acquisition in February, 2000. Members' equity of Charter Holdco was $662 million, $7.0 billion and $8.4 billion as of December 31, 2002, 2001 and 2000, respectively. Gains and losses arising from the issuance by Charter Holdco of its membership units are recorded as capital transactions, thereby increasing or decreasing shareholders' equity and decreasing or increasing minority interest on the accompanying consolidated balance sheets. Minority interest was 53.5%, 53.5% and 59.2% as of December 31, 200 2001 and 2000, respectively. Changes to minority interest consist of the following for the periods presented (in millions):

	Minorit Interes
Balance, December 31, 1999	$ 5,381
Equity of subsidiaries issued to Bresnan sellers	1,014
Equity of subsidiaries classified as redeemable securities	(1,095
Minority interest in loss of a subsidiary	(1,282
Minority interest in income tax benefit	15
Option compensation expense, net	22
Impact of issuance of equity by Charter Holdco	445
Redeemable securities reclassified as minority interest	49
Other	(3
Balance, December 31, 2000	4,546
Equity reclassified from redeemable securities (26,539,746 shares of Class A common stock)	1,096
Minority interest in loss of a subsidiary	(1,464
Minority interest in change in accounting principle	(14
Minority interest in income tax benefit	16
Option compensation expense, net	(2
Changes in fair value of interest rate agreements	(22
Gain on issuance of equity by Charter Holdco	253
Balance, December 31, 2001	4,409
Minority interest in loss of a subsidiary	(3,179
Minority interest in change in accounting principle	(306
Minority interest in income tax benefit	132
Option compensation expense, net	3
Changes in fair value of interest rate agreements	(35
Gain on issuance of equity by Charter Holdco	1
Balance, December 31, 2002	$ 1,025

In February 2000, Charter Holdco issued 15 million membership units for approximately $25 per share, or $385 million, primarily to the Comcast sellers as partial consideration for the Bresnan acquisition thereby decreasing Charter's ownership percentage of Charter Holdco to 40% from 41% immediately preceding the transaction. These transactions resulted in a loss on issuance of equity by Charter Holdco of $51 million. In September 2000, Charter Holdco issued 12 million membership units to Charter for approximately $15 per share in exchange for $178 million of equity interest of two businesses acquired by Charter and contributed to Charter Holdco thereby increasing Charter's ownership percentage of Charter Holdco to 41% from 40% immediately preceding the transaction. This

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transaction resulted in a loss on issuance of equity by Charter Holdco of $5 million. In May 2001, Charter Holdco issued 60 million membership units to Charter for approximately $20 per share in exchange for $1.2 billion of proceeds from issuance of Charter common stoc thereby increasing Charter's ownership percentage of Charter Holdco to 46% from 41% immediately preceding the transaction. This transaction resulted in a gain on issuance of equity by Charter Holdco of $236 million.

As part of the Bresnan acquisition in February 2000, CC VIII, an indirect limited liability company subsidiary of Charter, issued Class A Preferred Membership Interests (collectively, the CC VIII Interest) with a value and an initial capital account of approximately $630 million t certain sellers affiliated with AT&T Broadband, now owned by Comcast Corporation (the Comcast Sellers). The CC VIII Interest is entitled t a 2% priority return on its initial capital amount and such priority return is entitled to preferential distributions from available cash and upon liquidation of CC VIII. The CC VIII Interest generally does not share in the profits and losses of CC VIII at present. The Comcast Sellers hav the right at their option to exchange the CC VIII Interest for shares of Charter Class A common stock. Charter does not have the right to force such an exchange. In connection with the Bresnan acquisition, Mr. Allen granted the Comcast Sellers the right to sell to Mr. Allen the CC VI Interest (or any Charter Class A common stock that the Comcast Sellers would receive if they exercised their exchange right) for approximate $630 million plus 4.5% interest annually from February 2000 (the Comcast Put Right). In April 2002, in accordance with such put agreement the Comcast Sellers notified Mr. Allen of their exercise of the Comcast Put Right in full, and the parties agreed to consummate the sale in Ap 2003, although the parties also agreed to negotiate in good faith possible alternatives to the closing. On April 9, 2003, the parties agreed to extend the closing for up to thirty days. If the sale to Mr. Allen is consummated, Mr. Allen would become the holder of the CC VIII Interest (or, if previously exchanged by the current holders, any Charter Class A common stock issued to the current holders upon such exchange). If the CC VIII Interest is transferred to Mr. Allen, then, subject to the matters referenced in the next paragraph, Mr. Allen generally thereafter would be allocated his pro rata share (based on number of membership interests outstanding) of profits or losses of CC VIII. In the event of a liquidation of CC VIII, Mr. Allen would not be entitled to any priority distributions (except with respect to the 2% priority return, as to whict such priority would continue), and Mr. Allen's share of any remaining distributions in liquidation would be equal to the initial capital accoun of the Comcast Sellers of approximately $630 million, increased or decreased by Mr. Allen's pro rata share of CC VIII's profits or losses (as computed for capital account purposes) after the date of the transfer of the CC VIII Interest to Mr. Allen.

An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII Interest following consummation of the Comcast Put Right. Charter's Board of Directors has formed a Special Committee comprised of Messrs. Tory, Wangberg and Nelson to investigate and take any other appropriate action on behalf of the Company with respect to this matter. Specifically, the Special Committee is considering whether it should be the position of Charter that Mr. Allen should be required to contribute the CC VIII Interest to Charter Holdco in exchange for Charter Holdco membership units, immediately after his acquisition of the CC VIII Interest upon consummation of the Comcast Put Right. To the extent it is ultimately determined that Mr. Allen must contribute the CC VIII Interest to Charter Holdco following consummation of the Comcast Put Right, the Special Committee may also consider what additional steps, if any, should be taken with respect to the further disposition of the CC VIII Interest by Charter Holdco. If necessary, following the completion of the Special Committee's investigation of the facts and circumstances relating to this matter, the Speci Committee and Mr. Allen have agreed to a non-binding mediation process to resolve any dispute relating to this matter as soon as practicable but without any prejudice to any rights of the parties if such dispute is not resolved as part of the mediation.

12. Redeemable Securities

In connection with several acquisitions in 1999 and 2000, sellers who acquired Charter Holdco membership units, additional equity interests a subsidiary of Charter Holdings or shares of Class A common stock in Charter's initial public offering received potential rescission rights against Charter and Charter Holdco arising out of possible violations of Section 5 of the Securities Act of 1933, as amended, in connection w the offers and sales of these equity interests. Accordingly, the maximum potential cash obligation related to the rescission rights, estimated at

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$1.1 billion as of December 31, 2000, has been excluded from shareholders' equity or minority interest and classified as redeemable securitie on the consolidated balance sheet.

In February 2001, all remaining rescission rights associated with the redeemable securities expired without the security holders requesting repurchase of their securities. Accordingly, the Company reclassified the respective amounts to minority interest and shareholders' equity, as applicable.

13. Preferred Stock — Redeemable

On August 31, 2001, in connection with its acquisition of Cable USA, Inc. and certain cable system assets from affiliates of Cable USA, Inc., the Company issued 505,664 shares of Series A Convertible Redeemable Preferred Stock (the Preferred Stock) valued at and with a liquidatic preference of $51 million. Holders of the Preferred Stock have no voting rights but are entitled to receive cumulative cash dividends at an annual rate of 5.75%, payable quarterly. If for any reason Charter fails to pay the dividends on the Preferred Stock on a timely basis, the dividend rate on each share increases to an annual rate of 7.75% until the payment is made. The Preferred Stock is redeemable by Charter at i option on or after August 31, 2004 and must be redeemed by Charter at any time upon a change of control, or if not previously redeemed or converted, on August 31, 2008. The Preferred Stock is convertible, in whole or in part, at the option of the holders from April 1, 2002 througl August 31, 2008, into shares of common stock at an initial conversion rate equal to a conversion price of $24.71 per share of common stock, subject to certain customary adjustments. The redemption price per share of Preferred Stock is the Liquidation Preference of $100, subject to certain customary adjustments. In the first quarter of 2003, the Company issued 39,595 additional shares of preferred stock valued at and witl liquidation preference of $4 million.

14. Comprehensive Loss

Certain marketable equity securities are classified as available-for-sale and reported at market value with unrealized gains and losses recordec as accumulated other comprehensive loss on the accompanying consolidated balance sheets. The Company reports changes in the fair value o interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations, that meet the effectiveness criteria of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," in accumulated other comprehensive loss. Comprehensive loss for the years ended December 31, 2002, 2001 and 2000 was $2.5 billion, $1.2 billion and $0.9 billio respectively.

15. Accounting for Derivative Instruments and Hedging Activities

The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) as required under the terms of its credit facilities. The Company's polic is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company agrees to exchange, specified intervals through 2007, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notion principal amount. Interest rate collar agreements are used to limit the Company's exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

Effective January 1, 2001, the Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." Interest rate agreements are recorded in the consolidated balance sheet at December 31, 2002 and 2001 as either an asset or liability measured at fair value. In connection with the adoption of SFAS No. 133, the Company recorded a loss of $10 million (approximately $24 million before minority interest effects) as the cumulative effect of change in accounting principle. The effect of adoption was to increase net loss and loss per share b $10 million and $0.04 per share, respectively, for the year ended December 31, 2001.

The Company has certain interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments ar those that effectively convert variable interest payments on certain debt instruments into fixed payments. For qualifying hedges, SFAS No. 13 allows derivative gains and losses to offset

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related results on hedged items in the consolidated statement of operations. The Company has formally documented, designated and assesse the effectiveness of transactions that receive hedge accounting. For the years ended December 31, 2002 and 2001, other expense includes $14 million and $2 million, respectively, of losses, which represent cash flow hedge ineffectiveness on interest rate hedge agreements arisin from differences between the critical terms of the agreements and the related hedged obligations. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations are reported in accumulated other comprehensive loss. For the year ended December 31, 2002 and 2001, a loss of $65 million and $39 million, respectively related to derivative instruments designated as cash flow hedges was recorded in accumulated other comprehensive loss and minority intere The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affects earnings (losses).

Certain interest rate derivative instruments are not designated as hedges as they do not meet the effectiveness criteria specified by SFAS No. 133. However, management believes such instruments are closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments not designated as hedges are marked to fair value with the impact recorded as loss on interest rate agreements. For the years ended December 31, 2002 and 2001, the Company recorded other expense of $101 million and $48 million, respectively, for interest rate derivative instruments not designated as hedges.

As of December 31, 2002, 2001 and 2000, the Company had outstanding $3.4 billion, $3.3 billion and $1.9 billion and $520 million, $520 million and $520 million, respectively, in notional amounts of interest rate swaps and collars, respectively. Additionally, at December 2000, the Company had $15 million of interest rate caps. The notional amounts of interest rate instruments do not represent amounts exchan by the parties and, thus, are not a measure of exposure to credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

16. Fair Value of Financial Instruments

The Company has estimated the fair value of its financial instruments as of December 31, 2002, 2001 and 2000 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develc the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

The carrying amounts of cash, receivables, payables and other current assets and liabilities approximate fair value because of the short matur of those instruments. The Company is exposed to market price risk volatility with respect to investments in publicly traded and privately helc entities.

The fair value of interest rate agreements represents the estimated amount the Company would receive or pay upon termination of the agreements. Management believes that the sellers of the interest rate agreements will be able to meet their obligations under the agreements. addition, some of the interest rate agreements are with certain of the participating banks under the Company's credit facilities, thereby reduci the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the Company's consolidated financial position or results of operations.

The estimated fair value of the Company's notes, credit facilities and interest rate agreements at December 31, 2002, 2001 and 2000 are base on quoted market prices or a discounted cash flow analysis using the Company's incremental borrowing rate for similar types of borrowing arrangements and dealer quotations.

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A summary of the carrying value and fair value of the Company's debt and related interest rate agreements at December 31, 2002, 2001 and 2000 is as follows (in millions):

	2002		2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt						
Charter convertible notes	$1,383	$ 295	$1,383	$1,327	$ 750	$ 877
Charter Holdings debt	9,222	3,867	7,999	7,964	4,780	4,426
Credit facilities	7,789	6,367	6,710	6,710	7,302	7,302
Other	277	212	251	237	229	195
Interest Rate Agreements						
Assets (Liabilities)						
Swaps	(258)	(258)	(80)	(80)	(1)	5
Collars	(34)	(34)	(34)	(34)	—	11

The weighted average interest pay rate for the Company's interest rate swap agreements was 7.40%, 7.22% and 7.61 % at December 31, 2002 2001 and 2000, respectively. The Company's interest rate collar agreements are structured so that if LIBOR falls below 5.3%, the Company pays 6.7%. If the LIBOR rate is between 5.3% and 8.0%, the Company pays LIBOR. The LIBOR rate is capped at 8.0% if LIBOR is between 8.0% and 9.9%. If the LIBOR rate rises above 9.9%, the cap is removed.

17. Revenues

Revenues consist of the following for the years presented (in millions):

	Year Ended December 31,		
	2002	2001	2000
Analog video	$3,083	$2,768	$2,503
Digital video	457	307	89
High-speed data	340	155	55
Advertising sales	302	197	142
Other	384	380	352
	$4,566	$3,807	$3,141

18. Operating Expenses

Operating expenses consist of the following for the years presented (in millions):

	Year Ended December 31,		
	2002	2001	2000
Analog video programming	$1,012	$ 874	$ 741
Digital video programming	159	103	34
High-speed data	112	65	25
Advertising sales	87	64	57
Service	434	374	328
	$1,804	$1,480	$1,185

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19. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following for the years presented (in millions):

	Year Ended December 31,		
	2002	2001	2000
General and administrative	$813	$696	$505
Marketing	153	136	103
	$966	$832	$608

20. Option Plans

The Company grants stock options, restricted stock and other incentive compensation pursuant to two plans — the 1999 Option Plan of Charte Holdco (the "1999 Plan") and the 2001 Stock Incentive Plan of Charter (the "2001 Plan"). The 1999 Plan provided for the grant of options to purchase membership units in Charter Holdco to current and prospective employees and consultants of Charter Holdco and its affiliates and current and prospective non-employee directors of Charter. Options granted generally vest over five years from the grant date, with 25% vesting 15 months after the anniversary of the grant date and ratably thereafter. Options not exercised accumulate and are exercisable, in whol or in part, in any subsequent period, but not later than ten years from the date of grant. Membership units received upon exercise of the option are automatically exchanged into Class A common stock of Charter on a one-for-one basis.

The 2001 Plan provides for the grant of non-qualified stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock and/or shares of restricted stock (not to exceed 3,000,000), as each term is defined in th 2001 Plan. Employees, officers, consultants and directors of the Company and its subsidiaries and affiliates are eligible to receive grants unde the 2001 Plan. Options granted generally vest over four years from the grant date, with 25% vesting on the anniversary of the grant date and ratably thereafter. Generally, options expire 10 years from the grant date.

Together, the plans allow for the issuance of up to an aggregate of 90,000,000 shares of Charter Class A common stock (or units convertible into Charter Class A common stock). The aggregate shares available reflects an October 2002 amendment to the 2001 Plan approved by the board of directors of Charter to increase available shares by 30,000,000 shares. However, the amendment is subject to shareholder approval an any grants with respect to these additional shares will not be exercisable unless and until the Company's shareholders approve the amendment In 2001, any shares covered by options that terminated under the 1999 Plan were transferred to the 2001 Plan, and no new options were grante under the 1999 Plan. During September and October 2001, in connection with new employment agreements and related option agreements entered into by the Company, certain executives of the Company were awarded an aggregate of 256,000 shares of restricted Class A common stock, of which 26,250 shares were cancelled as of December 31, 2002. In January and February of 2003, an additional 92,813 shares were canceled. The shares vested 25% upon grant, with the remaining shares vesting monthly over a three-year period beginning after the first anniversary of the date of grant. As of December 31, 2002, deferred compensation remaining to be recognized in future periods totaled $1 million.

In September 2001, when the Company's former President and Chief Executive Officer terminated his employment, as part of his separation agreement he waived his right to an option to purchase approximately seven million Charter Holdco membership units, of which approximatel 5 million had vested. Accordingly, the Company recorded a reversal of compensation expense previously recorded on unvested options of $22 million.

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A summary of the activity for the Company's stock options, excluding granted shares of restricted Class A common stock, for the years end(December 31, 2002, 2001 and 2000, is as follows (options in thousands, except per share data):

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weigt Aver: Exer(Pric
Options outstanding, beginning of period	46,558	$17.10	28,482	$19.24	20,758	$19.:
Granted	13,122	4.88	29,395	16.01	10,247	18.(
Exercised	—	—	(278)	19.23	(17)	20.(
Cancelled	(6,048)	16.32	(11,041)	19.59	(2,506)	18.9
Options outstanding, end of period	53,632	$14.22	46,558	$17.10	28,482	$19.2
Weighted average remaining contractual life	8 years		9 years		9 years	
Options exercisable, end of period	17,844	$17.93	9,994	$18.51	7,044	$19.9
Weighted average fair value of options granted	$ 2.89		$ 9.15		$ 9.63	

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2002:

Range of Exercise Prices	Options Outstanding: Number Outstanding (in thousands)	Options Outstanding: Weighted-Average Remaining Contractual Life	Options Outstanding: Weighted-Average Exercise Price	Options Exercisable: Number Exercisable (in thousands)	Options Exercisable: Weighted-Average Remaining Contractual Life	Options Exercisable: Weightec Averag(Exercis(Price
$ 1.11 — $ 2.85	9,184	10 years	$ 2.58	125	10 years	$ 1.5
$ 9.13 — $ 13.96	19,676	9 years	12.20	4,330	9 years	12.5
$ 14.31 — $ 20.00	16,180	7 years	19.04	11,024	7 years	19.2
$ 20.46 — $ 23.09	8,592	8 years	22.21	2,365	8 years	22.1

The Company uses the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," to account fc the option plans. Option compensation expense of $5 million, a net option compensation benefit of $5 million and option compensation expense of $38 million for the years ended December 31, 2002, 2001 and 2000, respectively, was recorded in the consolidated statements of operations since the exercise prices of certain options were less than the estimated fair values of the underlying membership interests on the date of grant. A reversal of previously recognized option compensation expense of $22 million for the year ended December 31, 2001 was recorded in the consolidated statements of operations primarily in connection with the waiver of the right to approximately seven million options by the Company's former President and Chief Executive Officer as part of his September 2001 separation agreement. This was partially offset by expense recorded because exercise prices on certain options were less than the estimated fair values of the Company's stock at the time of grant. Estimated fair values were determined by the Company using the valuation inherent in the companies acquired by Paul G. Allen in 1998 and valuations of public companies in the cable television industry adjusted for factors specific to the Company. Compensation expense is being recorded with the method described in FIN 28 over the vesting period of the individual options that varies between four and five years. As of December 31, 2002, deferred compensation remaining to be recognized in future periods totaled $2 million. No stock option compensation expense was recorded for the options granted after November 8, 1999, since the exercise price was equal to the estimated fair value of the underlying membership interests or shares of Class A common stock on the date of grant. Since the membership units are exchangeable into Class A common stock of Charter on a one-for-one basis, the estimated fair value was equal to the quoted market values of Class A common stock.

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On July 25, 2001, the Company issued options to purchase 186,385 shares of Charter Class A common stock to a consultant in consideratioı services to be rendered in the future, pursuant to an equity compensation plan not approved by shareholders. The options are exercisable immediately, at an exercise price of $20.46 per share and if not exercised prior to the tenth anniversary of the grant date, will expire. The Company accounts for options granted to consultants in accordance with the provisions of SFAS No. 123 and recorded option compensation expense of $3 million on July 25, 2001. The fair value of the options, $13.95 per option, was estimated on the date of grant using the Black-Scholes option-pricing model and the following assumptions: risk-free interest rate of 5.7%; expected volatility of 49.8%; and an expected li of 10 years. The valuation assumed no dividends are paid.

On January 1, 2003, the Company adopted the fair value measurement provisions of SFAS No. 123, under which the Company will recogni: compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date. Adoption of these provisions will result in utilizing a preferable accounting method as the consolidated financial statements will present the estimated fair value of stock-based compensation in expense consistently with other forms of compensation and other expense associated wi goods and services received for equity instruments. In accordance with SFAS No. 123, the fair value method will be applied only to awards granted or modified after January 1, 2003, whereas awards granted prior to such date will continue to be accounted for under APB No. 25, unless they are modified or settled in cash. Management believes the adoption of these provisions will not have a material impact on the consolidated results of operations or financial position of the Company. The ongoing effect on consolidated results of operations or financial position will be dependent upon future stock based compensation awards granted. Had the Company adopted SFAS No. 123 as of January 1, 2002, using the prospective method, option compensation expense for the year ended December 31, 2002 would have been $20 million.

21. Special Charges

In the fourth quarter of 2002, the Company recorded a special charge of $35 million, of which $31 million is associated with its workforce reduction program and the consolidation of its operations from three divisions and ten regions into five operating divisions, elimination of redundant practices and streamlining its management structure. The remaining $4 million is related to legal and other costs associated with tl Company's ongoing grand jury investigation, shareholder lawsuits and SEC investigation. The $31 million charge related to realignment activities includes severance costs of $28 million and lease termination costs of $3 million. The Company intends to terminate approximatel) 1,400 employees, of which 100 employees were terminated in the fourth quarter of 2002. As of December 31, 2002, a liability of approximately $31 million is recorded on the accompanying consolidated balance sheet related to the realignment activities.

During the year ended December 31, 2001, the Company recorded $18 million in special charges that represent $15 million of costs associat‹ with the transition of approximately 145,000 (unaudited) data customers from the Excite@Home Internet service to the Charter Pipeline Internet service, as well as $3 million associated with certain employee severance costs.

In December 2001, the Company implemented a restructuring plan to reduce its workforce in certain markets and reorganize its operating divisions from two to three and operating regions from twelve to ten. The restructuring plan was completed during the first quarter of 2002, resulting in the termination of approximately 320 employees and severance costs of $4 million of which $1 million was recorded in the first quarter of 2002 and $3 million was recorded in the fourth quarter of 2001.

22. Income Taxes

All operations are held through Charter Holdco and its direct and indirect subsidiaries. Charter Holdco and the majority of its subsidiaries are not subject to income tax. However, certain of these subsidiaries are corporations and are subject to income tax. All of the taxable income, gains, losses, deductions and credits of Charter Holdco are passed through to its members: Charter, Charter Investment, Vulcan Cable, and certain former owners of acquired companies.

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Charter is responsible for its share of taxable income or loss of Charter Holdco allocated to it in accordance with the Charter Holdco amende and restated limited liability company agreement ("Agreement") and partnership tax rules and regulations.

The Agreement provides for certain special allocations of net tax profits and net tax losses (such net tax profits and net tax losses being determined under the applicable federal income tax rules for determining capital accounts). Pursuant to the Agreement, through the end of 2003, net tax losses of Charter Holdco that would otherwise have been allocated to Charter based generally on its percentage ownership of outstanding common units will be allocated instead to the membership units held by Vulcan Cable and Charter Investment (the "Special Loss Allocations") to the extent of their capital account balances. The Agreement further provides that, beginning at the time Charter Holdco first generates net tax profits, the net tax profits that would otherwise have been allocated to Charter based generally on its percentage ownership of outstanding common membership units will instead be allocated to Vulcan Cable and Charter Investment (the "Special Profit Allocations"). The Special Profit Allocations to Vulcan Cable and Charter Investment will generally continue until the cumulative amount of the Special Profit Allocations offsets the cumulative amount of the Special Loss Allocations. The Agreement generally provides that any additional net ta profits are to be allocated proportionately among the members of Charter Holdco based on their ownership of Charter Holdco membership units. The cumulative amount of the actual income tax losses allocated to Vulcan Cable and Charter Investment as a result of the Special Loss Allocations through the period ended December 31, 2002 is approximately $3.3 billion.

In certain situations, the Special Loss Allocations and Special Profit Allocations described above could result in Charter paying taxes in an amount that is more or less than if Charter Holdco had allocated net tax profits and net tax losses among its members based generally on the number of common membership units owned by such members. This could occur due to differences in (i) the character of the allocated incom (e.g., ordinary versus capital), (ii) the allocated amount and timing of tax depreciation and tax amortization expense due to application of section 704(c) under the Internal Revenue Code, (iii) the amount and timing of alternative minimum taxes paid by Charter, (iv) the apportionment of the allocated income or loss among the states in which Charter Holdco does business, and (v) future federal and state tax laws. Further, in the event of new capital contributions to Charter Holdco, it is possible that the tax effects of the Special Profit Allocations an Special Loss Allocations will change significantly pursuant to the provisions of the income tax regulations. Such change could defer the actua tax benefits to be derived by Charter with respect to the net tax losses allocated to it or accelerate the actual taxable income to Charter with respect to the net tax profits allocated to it. As a result, it is possible under certain circumstances, that Charter could receive future allocations of taxable income in excess of its currently allocated tax deductions and available tax loss carryforwards.

In addition to the aforementioned reasons, under their exchange agreement with Charter, Vulcan Cable and Charter Investment may exchange some or all of their membership units in Charter Holdco for Charter's Class B common stock, be merged with Charter, or be acquired by Charter in a non-taxable reorganization. If such an exchange were to take place prior to the date that the Special Profit Allocation provisions had fully offset the Special Loss Allocations, Vulcan Cable and Charter Investment could elect to cause Charter Holdco to make the remaining Special Profit Allocations to Vulcan Cable and Charter Investment immediately prior to the consummation of the exchange. In the event Vulcan Cable and Charter Investment choose not to make such election or to the extent such allocations are not possible, Charter would then b allocated tax profits attributable to the membership units received in such exchange pursuant to the Special Profit Allocation provisions. The Company's principal shareholder has generally agreed to reimburse Charter for any incremental income taxes that Charter would owe as a result of such an exchange and any resulting future Special Profit Allocations to Charter.

For the years ended December 31, 2002, 2001 and 2000, the Company recorded deferred income tax benefits as shown below. The income tax benefits are realized through reductions in the deferred tax liabilities related to Charter's investment in Charter Holdco, as well as the deferred tax liabilities of certain of Charter's indirect corporate subsidiaries.

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Current and deferred income tax expense (benefit) is as follows (dollars in millions):

	December 31,		
	2002	**2001**	**200**
Current expense:			
Federal income taxes	$ —	$ —	$ -
State income taxes	2	—	-
Current income tax expense	2	—	-
Deferred benefit:			
Federal income taxes	(456)	(11)	[illegible]
State income taxes	(66)	(1)	[illegible]
Deferred income tax benefit:	(522)	(12)	(1
Total income benefit	$ (520)	$ (12)	$ (1

The Company's effective tax rate differs from that derived by applying the applicable Federal income tax rate of 35%, and average state income tax rate of 5% for the years ended December 31, 2002, 2001 and 2000 as follows (dollars in millions):

	December 31,		
	2002	**2001**	**2000**
Statutory federal income taxes	$ (969)	$ (409)	$ (30
State income taxes, net of federal benefit	(138)	(58)	(4
Valuation allowance provided	587	455	33
Provision for income taxes	$ (520)	$ (12)	$ (1

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The tax effects of these temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002, 2001 and 2000 which are included in long-term liabilities are presented below (dollars in millions).

	December 31,		
	2002	2001	2000
Deferred tax assets:			
Net operating loss carryforward	$ 1,489	$ 893	$ 423
Other	9	9	8
Total gross deferred tax assets	1,498	902	431
Less: valuation allowance	(1,444)	(857)	(402)
Net deferred tax assets	$ 54	$ 45	$ 29
Deferred tax liabilities:			
Investment in Charter Holdco	$ (266)	$ (671)	$ (671)
Property, plant & equipment	(47)	(34)	(15)
Franchises	(240)	(493)	(523)
Gross deferred tax liabilities	(553)	(1,198)	(1,209)
Net deferred tax liabilities	$ (499)	$(1,153)	$(1,180)

As of December 31, 2002, the Company has deferred tax assets of $1.4 billion, which primarily relate to the excess of cumulative financial statement losses over cumulative tax losses allocated from Charter Holdco. The deferred tax assets also include $322 million of tax net operating loss carryforwards (generally expiring in years 2003 through 2022) of Charter and its indirect corporate subsidiaries, which are subject to separate return limitations. Valuation allowances of $277 million exist with respect to these carryforwards.

The total valuation allowance for deferred tax assets as of December 31, 2002, 2001 and 2000 was $1.4 billion, $857 million and $402 millioı respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion oı all of the deferred tax assets will be realized. Because of the uncertainties in projecting future taxable income of Charter Holdco, valuation allowances have been established except for deferred benefits available to offset deferred tax liabilities.

The Company is currently under examination by the Internal Revenue Service for the tax years ending December 31, 1999 and 2000. Management does not expect the results of this examination to have a material adverse effect on the Company's consolidated financial positic or results of operation.

23. Related Party Transactions

The following sets forth certain transactions in which the Company and the directors, executive officers and affiliates of the Company are involved. Unless otherwise disclosed, management believes that each of the transactions described below was on terms no less favorable to th Company than could have been obtained from independent third parties.

Charter has entered into management arrangements with Charter Holdco and certain of its subsidiaries. Under these agreements, Charter provides management services for the cable television systems owned or operated by its subsidiaries. The management services include such services as centralized customer billing services, data processing and related support, benefits administration and coordination of insurance coverage and self-insurance

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programs for medical, dental and workers' compensation claims. Certain costs for these services are billed and charged directly to the Company's operating subsidiaries and are included within operating costs. Such costs totaled $176 million, $119 million and $51 million for the years ended December 31, 2002, 2001 and 2000, respectively. All other costs incurred on the behalf of the Company's operating subsidiaries are considered a part of the management fee and are recorded as corporate expense in the accompanying consolidated financial statements. For the years ended December 31, 2002, 2001 and 2000, the management fee charged to the Company's operating subsidiaries approximated the corporate expenses incurred by Charter Holdco and Charter on behalf of the Company's operating subsidiaries. The credit facilities of the Company's operating subsidiaries prohibit payments of management fees in excess of 3.5% of revenues until repayment of tl outstanding indebtedness. In the event any portion of the management fee due and payable is not paid, it is deferred by Charter and accrued a liability of such subsidiaries. Any deferred amount of the management fee will bear interest at the rate of 10% per annum, compounded annually, from the date it was due and payable until the date it is paid.

Mr. Allen, the controlling shareholder of Charter, and a number of his affiliates have interests in various entities that provide services or programming to Charter's subsidiaries. Given the diverse nature of Mr. Allen's investment activities and interests, and to avoid the possibilit of future disputes as to potential business, Charter may not, and may not allow its subsidiaries to, engage in any business transaction outside cable transmission business except for certain existing approved investments. Should Charter or its subsidiaries wish to pursue a business transaction outside of this scope, it must first offer Mr. Allen the opportunity to pursue the particular business transaction. If he decides not t pursue the business transaction and consents to Charter or its subsidiaries to engage in the business transaction, they will be able to do so. Tł cable transmission business means the business of transmitting video, audio, including telephony, and data over cable television systems owned, operated or managed by Charter or its subsidiaries from time to time.

Mr. Allen or his affiliates own equity interests or warrants to purchase equity interests in various entities with which the Company does business or which provides it with products, services or programming. Among these entities are TechTV Inc. (TechTV), Oxygen Media Corporation (Oxygen Media), Digeo, Inc., Click2learn, Inc., Trail Blazer Inc., Action Sports Cable Network (Action Sports) and Microsoft Corporation. In addition, Mr. Allen and Mr. Savoy were directors of USA Networks, Inc. (USA Networks), who operates the USA Network The Sci-Fi Channel, Trio, World News International and Home Shopping Network, owning approximately 5% and less than 1%, respectivel of the common stock of USA Networks. In 2002, Mr. Allen and Mr. Savoy sold their common stock and are no longer directors of the USA Network. Mr. Allen owns 100% of the equity of Vulcan Ventures Incorporated (Vulcan Ventures) and Vulcan Inc. and is the president of Vulcan Ventures. Mr. Savoy is also a vice president and a director of Vulcan Ventures. The various cable, media, Internet and telephony companies in which Mr. Allen has invested may mutually benefit one another. The agreements governing the Company's relationship with Digeo, Inc. are an example of a cooperative business relationship among Mr. Allen's affiliated companies. The Company can give no assura that any of these business relationships will be successful, that the Company will realize any benefits from these relationships or that the Company will enter into any business relationships in the future with Mr. Allen's affiliated companies.

Mr. Allen and his affiliates have made, and in the future likely will make, numerous investments outside of the Company and its business. T Company cannot assure that, in the event that the Company or any of its subsidiaries enter into transactions in the future with any affiliate of Mr. Allen, such transactions will be on terms as favorable to the Company as terms it might have obtained from an unrelated third party. Als conflicts could arise with respect to the allocation of corporate opportunities between the Company and Mr. Allen and his affiliates. The Company has not instituted any formal plan or arrangement to address potential conflicts of interest.

High Speed Access Corp. (High Speed Access) has been a provider of high-speed Internet access services over cable modems. During the period from 1997 to 2000, certain Charter entities entered into Internet-access related service agreements, and both Vulcan Ventures, an enti controlled by Mr. Allen, and certain of Charter's subsidiaries made equity investments in High Speed Access.

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On February 28, 2002, Charter's subsidiary and an affiliate to the Company, CC Systems, purchased from High Speed Access the contracts a associated assets, and assumed related liabilities, that served the Company's customers, including a customer contact center, network operations center and provisioning software. Immediately prior to the asset purchase, Vulcan Ventures beneficially owned approximately 37 and the Company beneficially owned approximately 13%, of the common stock of High Speed Access (including the shares of common stoc which could be acquired upon conversion of the Series D preferred stock, and upon exercise of the warrants owned by Charter Communications Holding Company). Following the consummation of the asset purchase, neither the Company nor Vulcan Ventures beneficially owned any securities of, or were otherwise affiliated with, High Speed Access.

The Company receives or will receive programming for broadcast via its cable systems from TechTV, USA Networks, Oxygen Media and Action Sports. The Company pays a fee for the programming service generally based on the number of customers receiving the service. Such fees for the years ended December 31, 2002 and 2001 were each less than 2% of total operating expenses. In addition, the Company receives commissions from USA Networks for home shopping sales generated by its customers. Such revenues for the years ended December 31, 200 and 2001 were less than 1% of total revenues. On November 5, 2002, Action Sports announced that it was discontinuing its business. The Company believes that the failure of Action Sports will not materially affect the Company's business or results of operations.

As discussed in Note 5, in April 2002, Interlink Communications Partners, LLC, Rifkin Acquisition Partners, LLC and Charter Communications Entertainment I, LLC, each an indirect, wholly-owned subsidiary of the Company, completed the cash purchase of certain assets of Enstar Income Program II-2, L.P., Enstar Income Program IV-3, L.P., Enstar Income/Growth Program Six-A, L.P., Enstar Cable of Macoupin County and Enstar Income IV/PBD Systems Venture, serving in the aggregate approximately 21,600 (unaudited) customers, for a total cash sale price of approximately $48 million. In September 2002, Charter Communications Entertainment I, LLC purchased all of Ensta Income Program II-1, L.P.'s Illinois cable television systems, serving approximately 6,400 (unaudited) customers, for a cash sale price of $15 million. Enstar Communications Corporation, a direct subsidiary of Charter Holdco, is a general partner of the Enstar limited partnership but does not exercise control over them. All of the executive officers of Charter and Charter Holdco act as officers of Enstar Communication Corporation.

The Company purchases certain equipment for use in the Company's business from ADC Telecommunications, which provides broadband access and network equipment. Mr. Wangberg, a director for Charter, serves as a director for ADC Telecommunications. Such fees for the years ended December 31, 2002 and 2001 were each less than 1% of total operating expenses under this arrangement.

On January 10, 2003 Charter signed an agreement to carry two around-the-clock, high-definition networks, HDNet and HDNet Movies. The Company believes that entities controlled by Mr. Mark Cuban, co-founder and president of HDNet, owns 96.9% of HDNet and HDNet Movi as of December 31, 2002. As of December 31, 2002 Mr. Cuban, owns approximately 5.3% equity interest in Charter.

As part of the Bresnan acquisition in February 2000, CC VIII, an indirect limited liability company subsidiary of Charter, issued the CC VIII Interest to the Comcast Sellers. The CC VIII Interest is entitled to a 2% priority return on its initial capital amount and such priority return is entitled to preferential distributions from available cash and upon liquidation of CC VIII. The CC VIII Interest generally does not share in the profits and losses of CC VIII at present. The Comcast Sellers have the right at their option to exchange the CC VIII Interest for shares of Charter Class A common stock. Charter does not have the right to force such an exchange. In connection with the Bresnan acquisition, Mr. Allen granted the Comcast Sellers the right to sell to Mr. Allen the CC VIII Interest (or any Charter Class A common stock that the Comcast Sellers would receive if they exercised their exchange right) for approximately $630 million plus 4.5% interest annually from February 2000. In April 2002, in accordance with such put agreement, the Comcast Sellers notified Mr. Allen of their exercise of the Comcas Put Right in full, and the parties agreed to consummate the sale in April 2003, although the parties also agreed to negotiate in good faith possible alternatives to the closing. On April 9, 2003, the parties agreed to extend the closing for up to thirty days. If the sale to Mr. Allen is consummated, Mr. Allen would become the holder of the CC VIII Interest (or, if previously exchanged by the current holders, any Charter Class A common stock issued to the current holders upon

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such exchange). If the CC VIII Interest is transferred to Mr. Allen, then, subject to the matters referenced in the next paragraph, Mr. Allen generally thereafter would be allocated his pro rata share (based on number of membership interests outstanding) of profits or losses of CC VIII. In the event of a liquidation of CC VIII, Mr. Allen would not be entitled to any priority distributions (except with respect to the 2% priority return, as to which such priority would continue), and Mr. Allen's share of any remaining distributions in liquidation would be equa the initial capital account of the Comcast Sellers of approximately $630 million, increased or decreased by Mr. Allen's pro rata share of CC VIII's profits or losses (as computed for capital account purposes) after the date of the transfer of the CC VIII Interest to Mr. Allen.

An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII Interest following consummation of the Comcast Put Right. Our Board of Directors has formed a Special Commit comprised of Messrs. Tory, Wangberg and Nelson to investigate and take any other appropriate action on behalf of the Company with respec to this matter. Specifically, the Special Committee is considering whether it should be the position of Charter that Mr. Allen should be requir to contribute the CC VIII Interest to Charter Holdco in exchange for Charter Holdco membership units, immediately after his acquisition of t CC VIII Interest upon consummation of the Comcast Put Right. To the extent it is ultimately determined that Mr. Allen must contribute the (VIII Interest to Charter Holdco following consummation of the Comcast Put Right, the Special Committee may also consider what additiona steps, if any, should be taken with respect to the further disposition of the CC VIII Interest by Charter Holdco. If necessary, following the completion of the Special Committee's investigation of the facts and circumstances relating to this matter, the Special Committee and Mr. Allen have agreed to a non-binding mediation process to resolve any dispute relating to this matter as soon as practicable, but without any prejudice to any rights of the parties if such dispute is not resolved as part of the mediation.

24. Commitments and Contingencies

Leases

The Company leases certain facilities and equipment under noncancellable operating leases. Leases and rental costs charged to expense for tl years ended December 31, 2002, 2001 and 2000, were $31 million, $25 million and $23 million, respectively. As of December 31, 2002, futu minimum lease payments are as follows (in millions):

Year	Amount
2003	$18,456
2004	14,202
2005	12,190
2006	9,212
2007	6,145
Thereafter	20,726

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates tha such rentals will recur. Rent expense incurred for pole rental attachments for the years ended December 31, 2002, 2001 and 2000, was $41 million, $33 million and $31 million, respectively. The Company pays programming fees under multi-year contracts ranging from three t six years typically based on a flat fee per customer, which may be fixed for the term or may in some cases, escalate over the term. Total programming costs paid to programmers were $1.2 billion, $951 million and $763 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Litigation

Fourteen putative federal class action lawsuits (the "Federal Class Actions") have been filed against Charter and certain of its former and present officers and directors in various jurisdictions allegedly on behalf of all purchasers of Charter's securities during the period from either November 8 or November 9, 1999 through July 17 or July 18, 2002. Unspecified damages are sought by the plaintiffs. In general, the lawsuits allege that Charter utilized misleading accounting practices and failed to disclose these accounting practices and/or issued false and misleadin financial statements and press releases concerning Charter's operations and prospects.

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In October 2002, Charter filed a motion with the Judicial Panel on Multidistrict Litigation (the "Panel") to transfer the Federal Class Action the Eastern District of Missouri. On March 12, 2003, the Panel transferred the six Federal Class Actions not filed in the Eastern District of Missouri to that district for coordinated or consolidated pretrial proceedings with the eight Federal Class Actions already pending there. The Panel's transfer order assigned the Federal Class Actions to Judge Charles A. Shaw. By virtue of a prior court order, StoneRidge Investment Partners LLC became lead plaintiff upon entry of the Panel's transfer order. We anticipate that the lead plaintiff will file a single consolidate amended complaint shortly. No response from Charter will be due until after this consolidated amended complaint is filed.

On September 12, 2002, a shareholders derivative suit (the "State Derivative Action") was filed in Missouri state court against Charter and i current directors, as well as its former auditors. A substantively identical derivative action was later filed and consolidated into the State Derivative Action. The plaintiffs allege that the individual defendants breached their fiduciary duties by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on Charter's behalf, are sought by the plaintiffs.

Separately, on February 12, 2003, a shareholders derivative suit (the "Federal Derivative Action"), was filed against Charter and its current directors in the United States District Court for the Eastern District of Missouri. The plaintiff alleges that the individual defendants breached their fiduciary duties and grossly mismanaged Charter by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on the Charter's behalf, are sought by the plaintiffs.

In addition to the Federal Class Actions, the State Derivative Action and the Federal Derivative Action, six putative class action lawsuits hav been filed against Charter and certain of its current directors and officers in the Court of Chancery of the State of Delaware (the "Delaware Class Actions"). The Delaware Class Actions are substantively identical and generally allege that the defendants breached their fiduciary dut by participating or acquiescing in a purported and threatened attempt by Defendant Paul Allen to purchase shares and assets of Charter at an unfair price. The lawsuits were brought on behalf of Charter's securities holders as of July 29, 2002, and seek unspecified damages and possible injunctive relief. No such proposed transaction by Mr. Allen has been presented.

The lawsuits discussed above are each in preliminary stages and no dispositive motions or other responses to any of the complaints have beer filed. No reserves have been established for those matters because the Company believes they are either not estimable or not probable. Charte intends to vigorously defend the lawsuits.

In August of 2002, Charter became aware of a grand jury investigation being conducted by the United States Attorney's Office for the Easten District of Missouri into certain of its accounting and reporting practices, focusing on how Charter reported customer numbers, refunds that Charter sought from programmers and its reporting of amounts received from digital set-top terminal suppliers for advertising. Charter has been advised by the U.S. Attorney's Office that no member of the Board of Directors, including its Chief Executive Officer, is a target of the investigation. Charter is fully cooperating with the investigation.

On November 4, 2002, Charter received an informal, non-public inquiry from the Staff of the Securities and Exchange Commission (SEC). Tl SEC has subsequently issued a formal order of investigation dated January 23, 2003, and subsequent document subpoenas. The investigation and subpoenas generally concern Charter's prior reports with respect to its determination of the number of customers, and various of its other accounting policies and practices including its capitalization of certain expenses and dealings with certain vendors, including programmers an digital set-top terminal suppliers. Charter is actively cooperating with the SEC Staff.

Charter is unable to predict the outcome of the lawsuits and the government investigations described above. An unfavorable outcome in the lawsuits or the government investigations described above could have a material adverse effect on Charter's results of operations and financial condition.

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Charter is generally required to indemnify each of the named individual defendants in connection with these matters pursuant to the terms of Bylaws and (where applicable) such individual defendants' employment agreements. Pursuant to the terms of certain employment agreemen and in accordance with the Bylaws of Charter, in connection with the pending grand jury investigation, SEC investigation and the above described lawsuits, Charter's current directors and its current and former officers have been advanced certain costs and expenses incurred in connection with their defense.

In addition to the matters set forth above, Charter is also party to other lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after taking into account recorded liabilities, the outcome of these other lawsuits and claims will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Charter has directors' and officers' liability insurance coverage that it believes is available for these matters, subject to the terms, conditions and limitations of the respective policies.

Regulation in the Cable Industry

The operation of a cable system is extensively regulated by the Federal Communications Commission (FCC), some state governments and most local governments. The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of ceas and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities used in connection with cable operations. The 1996 Telecom Act altered the regulatory structure governing the nation' communications providers. It removed barriers to competition in both the cable television market and the local telephone market. Among oth things, it reduced the scope of cable rate regulation and encouraged additional competition in the video programming industry by allowing local telephone companies to provide video programming in their own telephone service areas.

The 1996 Telecom Act required the FCC to undertake a number of implementing rulemakings. Moreover, Congress and the FCC have frequently revisited the subject of cable regulation. Future legislative and regulatory changes could adversely affect the Company's operation:

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-mont period determined to be in excess of the maximum permitted rates. During the years ended December 31, 2002, 2001 and 2000, the amounts refunded by the Company have been insignificant. The Company may be required to refund additional amounts in the future.

25. Employee Benefit Plan

The Company's employees may participate in the Charter Communications, Inc. 401(k) Plan. Employees that qualify for participation can contribute up to 50% of their salary, on a pre-tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Servic The Company matches 50% of the first 5% of participant contributions. The Company made contributions to the 401(k) plan totaling $8 million, $9 million and $7 million for the years ended December 31, 2002, 2001 and 2000, respectively.

26. Recently Issued Accounting Standards

Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company will adopt SFAS No. 143 on January 1, 2003. The Company does not expect the adoption of SFAS No. 143 to have a material impact on the Company's financial condition or results of operations.

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In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 provides for the rescission of several previously issued accounting standards, new accounting guidance for the accounting for certain lease modifications and various technical corrections that are n substantive in nature to existing pronouncements. The Company will adopt SFAS No. 145 beginning January 1, 2003, except for the provisio relating to the amendment of SFAS No. 13, which will be adopted for transactions occurring subsequent to May 15, 2002. The Company doe not expect the adoption of SFAS No. 145 to have a material impact on the consolidated financial statements of the Company.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires that a liability for costs associated with an exit or disposa activity be recognized when the liability is incurred rather than when a company commits to such an activity and also establishes fair value as the objective for initial measurement of the liability. SFAS No. 146 will be adopted by the Company for exit or disposal activities that are initiated after December 31, 2002. Adoption will not have a material impact on the consolidated financial statements of the Company.

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the f value based method of accounting for stock-based employee compensation. In addition, it amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company adopted SFAS No. 148 beginning January 1, 2003. On January 1, 2003, the Company also adopted SFAS No. 123, "Accounting for Stock-Based Compensation" on the prospective method under which the Company will recognize compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date.

27. Parent Company Only Financial Statements

As the result of limitations on, and prohibitions of, distributions, substantially all of the net assets of the consolidated subsidiaries are restricte for distribution to Charter, the parent company. The following condensed parent-only financial statements of Charter account for the investment in Charter Holdco under the equity method of accounting. The financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto. The information in this footnote has been revised from the information previously reported to reflect the Company's restatement of its consolidated financial statements of the years ended December 31, 2001 and 2000. See Note 3 for a description of the restatement.

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Charter Communications, Inc. (Parent Company Only)

Condensed Balance Sheet

		December : 2002
ASSETS		
Cash and cash equivalents	$	:
Receivable from related party		
Investment in Charter Holdco		3(
Notes receivable from Charter Holdco		1,4:
	$	1,7:
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	$	:
Convertible notes		1,3{
Deferred income taxes		2(
Preferred stock — redeemable		:
Shareholders' equity		‹
Total liabilities and shareholders' equity	$	1,7:

Condensed Statement of Operations

		Year Ende December 3 2002
REVENUES		
Interest income	$	7
Management fees		
Total revenues		8
EXPENSES		
Equity in losses of Charter Holdco		(2,92
General and administrative expenses		(
Interest expense		(7
Total expenses		(3,00
Net loss before income taxes		(2,91
Income taxes		40
Net loss		(2,51
Dividend on preferred equity		(
Net loss after preferred dividends	$	(2,51

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Condensed Statements of Cash Flows

	Year Ende[illegible] December 3[illegible] 2002
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss after preferred dividends	$ (2,51[illegible]
Equity in losses of Charter Holdco	2,92[illegible]
Changes in operating assets and liabilities	1[illegible]
Deferred income taxes	(40[illegible]
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment in Charter Holdco	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	1[illegible]
CASH AND CASH EQUIVALENTS, beginning of year	–
CASH AND CASH EQUIVALENTS, end of year	$ 1[illegible]

The following table sets forth the parent-only condensed balance sheet, statement of operations and statement of cash flows of Charter which accounts for the investment in Charter Holdco under the equity method of accounting, showing previously reported and restated amounts as [illegible] December 31, 2001 (in millions):

Condensed Balance Sheet

	December 31, 2001	
	(As previously reported)	(As restat[illegible]
ASSETS		
Receivable from related party	$ 14	$ 1[illegible]
Investment in Charter Holdco	2,912	3,25[illegible]
Notes receivable from Charter Holdco	1,383	1,43[illegible]
	$ 4,309	$ 4,70[illegible]
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	$ 14	$ 1[illegible]
Convertible notes	1,383	1,38[illegible]
Deferred income taxes	—	67[illegible]
Preferred stock — redeemable	51	5[illegible]
Shareholders' equity	2,861	2,58[illegible]
Total liabilities and shareholders' equity	$ 4,309	$ 4,70[illegible]

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Condensed Statement of Operations

	Year Ended December 31, 2001	
	(As previously reported)	(As restated)
REVENUES		
Interest income	$ 60	$ 61
Management fees	6	6
Total revenues	66	67
EXPENSES		
Equity in losses of Charter Holdco	(1,179)	(1,168)
General and administrative expenses	(6)	(6)
Interest expense	(59)	(60)
Total expenses	(1,244)	(1,234)
Net loss	(1,178)	(1,167)
Dividend on preferred equity	(1)	(1)
Net loss after preferred dividends	$(1,179)	$(1,168)

Condensed Statements of Cash Flows

	Year Ended December 31, 2001	
	(As previously reported)	(As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss after preferred dividends	$(1,179)	$(1,168)
Equity in losses of Charter Holdco	1,179	1,168
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in and receivables from Charter Holdco	(633)	(633)
Investment in Charter Holdco	(1,224)	(1,224)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible notes	633	633
Net proceeds from issuance of common stock	1,218	1,218
Other	6	6
NET INCREASE IN CASH AND CASH EQUIVALENTS	—	—
CASH AND CASH EQUIVALENTS, beginning of year	—	—
CASH AND CASH EQUIVALENTS, end of year	$ —	$ —

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The following table sets forth the parent-only condensed balance sheet, statement of operations and statement of cash flows of Charter whicl accounts for the investment in Charter Holdco under the equity method of accounting, showing previously reported and restated amounts as December 31, 2000 (in millions):

Condensed Balance Sheet

	December 31, 2000 (As previously reported)	December 31, 2000 (As restate
ASSETS		
Receivable from related party	$ —	$ 10
Investment in Charter Holdco	4,228	3,447
Notes receivable from Charter Holdco	750	750
	$4,978	$4,207
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	$ —	$ 11
Payables to related party	1	—
Convertible notes	750	750
Deferred income taxes	—	671
Redeemable securities	1,104	8
Shareholders' equity	3,123	2,767
Total liabilities and shareholders' equity	$4,978	$4,207

Condensed Statement of Operations

	Year Ended December 31, 2000 (As previously reported)	Year Ended December 31, 2000 (As restatec
REVENUES		
Interest income	$ 9	$ 7
Management fees	5	5
Total revenues	14	12
EXPENSES		
Equity in losses of Charter Holdco	(829)	(858)
General and administrative expenses	(5)	(5)
Interest expense	(9)	(7)
Total expenses	(843)	(870)
Net loss	$(829)	$(858)

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Condensed Statements of Cash Flows

	Year Ended December 31, 2000	
	(As previously reported)	(As restat
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(829)	$(858)
Equity in losses of Charter Holdco	829	858
Changes in operating assets and liabilities	(19)	(19)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in and receivables from Charter Holdco	(750)	(750)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible notes	750	750
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19)	(19)
CASH AND CASH EQUIVALENTS, beginning of year	19	19
CASH AND CASH EQUIVALENTS, end of year	$ —	$ —

28. Unaudited Quarterly Financial Data (Restated)

The information in this footnote has been revised from the information previously reported to reflect the Company's restatement of its financi statements for the years ended December 31, 2002, 2001 and 2000. See Note 3 for a description of the restatement.

The following table presents quarterly data for the periods presented on the consolidated statement of operations:

	Year ended December 31, 2002			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 1,074	$ 1,137	$ 1,166	$ 1,189
Income (loss) from operations	97	85	91	(4,593)
Loss before minority interest, income taxes and cumulative effect of accounting change	(234)	(354)	(368)	(4,991)
Net loss applicable to common stock	(317)	(160)	(167)	(1,873)
Basic and diluted loss per common share before cumulative effect of accounting change	(0.17)	(0.54)	(0.56)	(6.36)
Basic and diluted loss per common share	(1.07)	(0.54)	(0.57)	(6.36)
Weighted-average shares outstanding	294,394,939	294,453,454	294,454,659	294,457,934

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	Year ended December 31, 2001			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 856	$ 897	$ 1,002	$ 1,052
Loss from operations	(293)	(288)	(285)	(334
Loss before minority interest, income taxes and cumulative effect of accounting change	(637)	(626)	(713)	(657
Net loss applicable to common stock	(268)	(266)	(330)	(304
Basic and diluted loss per common share before cumulative effect of accounting change	(1.11)	(1.04)	(1.12)	(1.03
Basic and diluted loss per common share	(1.15)	(1.04)	(1.12)	(1.03
Weighted-average shares outstanding	233,777,675	255,027,543	294,250,549	294,384,003

	Year ended December 31, 2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 721	$ 788	$ 808	$ 824
Loss from operations	(234)	(263)	(283)	(308)
Loss before minority interest and income taxes	(457)	(510)	(560)	(623)
Net loss applicable to common stock	(181)	(202)	(222)	(253)
Basic and diluted loss per common share	(0.81)	(0.91)	(0.99)	(1.08)
Weighted-average shares outstanding	221,917,083	222,089,746	224,965,289	233,738,668

The following tables reconcile the Company's previously filed quarterly financial data to the restated quarterly financial data included herein for revisions described more fully in Note 2 (in millions, except for share data). A summary of the nature of the reconciling items for each quarter has been provided below each table and should be read in conjunction with Note 3.

	For the Three Months Ended March 31, 2002		
	As previously reported	Adjustments	As restated
Revenues	$ 1,078	$ (4)	$ 1,074
Income (loss) from operations	(38)	135	97
Loss before minority interest, income taxes and cumulative effect of accounting change	(371)	137	(234)
Net loss applicable to common stock	(175)	(142)	(317)
Basic and diluted loss per common share before cumulative effect of accounting change	(0.59)	0.42	(0.17)
Basic and diluted loss per common share	(0.59)	(0.48)	(1.07)
Weighted average common shares outstanding, basic and diluted	294,394,939	—	294,394,939

Net loss applicable to common stock increased due to impairment of franchises caused by additional franchises being recorded in prior years related to corrections to purchase accounting for acquisitions in 1999 and 2000 and due to the expensing of certain costs originally capitalized associated with customer acquisition and installation and deferral of launch incentives. These adjustments were offset by the reversal of depreciation expense associated with certain assets that were not taken out service in the Company's rebuild and upgrade plan and the tax benefit generated by these adjustments.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended June 30, 2002		
	As previously reported	Adjustments	As restated
Revenues	$ 1,158	$ (21)	$ 1,137
Income from operations	8	77	85
Loss before minority interest and income taxes	(431)	77	(354)
Net loss applicable to common stock	(203)	43	(160)
Basic and diluted loss per common share	(0.69)	0.15	(0.54)
Weighted average common shares outstanding, basic and diluted	294,453,454	—	294,453,454

Net loss applicable to common stock decreased as a result of the reversal of depreciation expense associated with certain assets that were not taken out of service in the Company's rebuild and upgrade plan, offset by the expensing of certain costs originally capitalized associated with customer acquisition and installation and deferral of launch incentives.

	For the Three Months Ended September 30, 2002		
	As previously reported	Adjustments	As restated
Revenues	$ 1,179	$ (13)	$ 1,166
Income (loss) from operations	(17)	108	91
Loss before minority interest and income taxes	(493)	125	(368)
Net loss applicable to common stock	(240)	73	(167)
Basic and diluted loss per common share	(0.81)	0.25	(0.56)
Weighted average common shares outstanding, basic and diluted	294,454,659	—	294,454,659

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002, except for a decline in customer acquisition costs as the Company eliminated its customer acquisition campaigns through third-party contractors.

	For the Three Months Ended March 31, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 874	$ (18)	$ 856
Loss from operations	(314)	21	(293)
Loss before minority interest, income taxes and cumulative effect of accounting change	(685)	48	(637)
Net loss applicable to common stock	(281)	13	(268)
Basic and diluted loss per common share before cumulative effect of accounting change	(1.20)	0.09	(1.11)
Basic and diluted loss per common share	(1.20)	(0.05)	(1.15)
Weighted average common shares outstanding, basic and diluted	233,777,675	—	233,777,675

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended June 30, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 928	$ (31)	$ 897
Loss from operations	(298)	10	(288)
Loss before minority interest and income taxes	(637)	11	(626)
Net loss applicable to common stock	(274)	8	(266)
Basic and diluted loss per common share	(1.07)	0.03	(1.04)
Weighted average common shares outstanding, basic and diluted	255,027,543	—	255,027,543

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

	For the Three Months Ended September 30, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 1,044	$ (42)	$ 1,002
Loss from operations	(250)	(35)	(285)
Loss before minority interest and income taxes	(680)	(33)	(713)
Net loss applicable to common stock	(318)	(12)	(330)
Basic and diluted loss per common share	(1.08)	(0.04)	(1.12)
Weighted average common shares outstanding, basic and diluted	294,250,549	—	294,250,549

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

	For the Three Months Ended December 31, 2001		
	As previously reported	Adjustments	As restated
Revenues	$ 1,107	$ (55)	$ 1,052
Loss from operations	(333)	(1)	(334)
Loss before minority interest and income	(655)	2	(657)
Net loss applicable to common stock	(306)	2	(304)
Basic and diluted loss per common share	(1.04)	0.01	(1.03)
Weighted average common shares outstanding, basic and diluted	294,384,003	—	294,384,003

The nature of the items decreasing net loss applicable to common stock was primarily the same as in the three months ended June 30, 2002.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended March 31, 2000		
	As previously reported	Adjustments	As restated
Revenues	$ 722	$ (1)	$ 721
Loss from operations	(224)	(10)	(234)
Loss before minority interest and income taxes	(450)	(7)	(457)
Net loss applicable to common stock	(181)	—	(181)
Basic and diluted loss per common share	(0.81)	—	(0.81)
Weighted average common shares outstanding, basic and diluted	221,917,083	—	221,917,083

Net loss applicable to common stock increased due to the expensing of certain costs originally capitalized associated with customer installati and deferral of launch incentives. These adjustments were offset by the reversal of depreciation expense associated with certain assets that w not taken out of service in the Company's rebuild and upgrade plan.

	For the Three Months Ended June 30, 2000		
	As previously reported	Adjustments	As restated
Revenues	$ 795	$ (7)	$ 788
Loss from operations	(241)	(22)	(263
Loss before minority interest and income taxes	(494)	(16)	(510
Net loss applicable to common stock	(197)	(5)	(202
Basic and diluted loss per common share	(0.89)	(0.02)	(0.91
Weighted average common shares outstanding, basic and diluted	222,089,746	—	222,089,746

The nature of the items increasing net loss applicable to common stock was primarily the same as in the three months ended March 31, 2000

	For the Three Months Ended September 30, 2000		
	As previously reported	Adjustments	As restated
Revenues	$ 839	$ (31)	$ 808
Loss from operations	(237)	(46)	(283)
Loss before minority interest and income taxes	(523)	(37)	(560)
Net loss applicable to common stock	(210)	(12)	(222)
Basic and diluted loss per common share	(0.93)	(0.06)	(0.99)
Weighted average common shares outstanding, basic and diluted	224,965,289	—	224,965,289

The nature of the items increasing net loss applicable to common stock was primarily the same as in the three months ended March 31, 2000.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2001 AND 2000
(dollars in millions, except where indicated)

	For the Three Months Ended December 31, 2000		
	As previously reported	Adjustments	As restated
REVENUES	$ 893	$ (69)	$ 824
Loss from operations	(269)	(39)	(308)
Loss before minority interest and income taxes	(588)	(35)	(623)
Net loss applicable to common stock	(241)	(12)	(253)
Basic and diluted loss per common share	(1.03)	(0.05)	(1.08)
Weighted average common shares outstanding, basic and diluted	233,738,668	—	233,738,668

The nature of the items increasing net loss applicable to common stock was primarily the same as in the three months ended March 31, 2000 with an additional adjustment to expense certain costs originally capitalized as customer acquisition costs.

ATTACHMENT "E"

1 Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.

Applicant's total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval, is approximately $2,000,000.

2 Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.

Applicant expects to incur operating expenses in the amount of $1,570,836 during the first twelve months of providing telecommunications services to Arizona customers following certification. Such expenses will result from Applicant's contemplated deployment or leasing of switching equipment, transmission lines, associated electronics, routers and computer equipment in the State of Arizona.

3 Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

Applicant estimates the net book value of all Arizona jurisdictional assets expected to be used in its provision of telecommunications services to Arizona customers at the end of the first twelve months of operation will be approximately $827,174.

4 If the projected value of all assets is zero, please specifically state this in your response.

Not applicable.

5 If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

Not applicable.

ATTACHMENT "F"

DESCRIPTION OF MANAGEMENT PERSONNEL

MANAGEMENT QUALIFICATIONS

Patti Lewis – Director, Program Management and Operations - Telephony

Primary Responsibilities:
Management of all projects for deployment of new markets. Oversight and management of all back office and service delivery functions.

Experience:

2001 - Present
Charter Communications
Director - Program Management

2000 - 2001
Omniplex Communications (CLEC)
VP Business Operations

1999 - 2000
Omniplex Communications (CLEC)
Project Manager (business process design & billing system integration projects) (CLEC)

1998 - 1999
Omniplex Communications (CLEC)
VP Service Delivery, Advanced Communications Group (CLEC)

1996 - 1998
Omniplex Communications (CLEC)
Business Operations Director, Brooks Fiber Properties (CLEC)

1995 - 1996
Nextel
Fulfillment Manager

1990 - 1995
CyberTel Cellular/Ameritech
Project Manager

1988 - 1990
Citicorp Mortgage
Internal Audit

1986 - 1988
Ernst & Young
Public Accounting

Education:

BSBA - 1986
Certified Public Accountant -1986
Master of Finance –1991

Michael P. Cornelius – Director, IP Telephony Engineering

Primary Responsibilities:
Design and implementation of the IP network and oversight of telephone network deployments.

Experience:

2000 - Present
Charter Communications
Director - IP Telephony Engineering

2000
Chorus Networks
Vice President - Technical Services

1999 - 2000
TDS Telecom
Manager - Network Architecture Planning

1997 - 1999
TDS Telecom
Director - Network Engineering

1995 - 1997
Sprint Spectrum, L.P.
Network Design Manager

1987 - 1995
Ameritech, Inc.
Manager and Director - Cost Analysis, Designed Services, Network, Services, Technical Planning and Integrated Network Planning - Loop Facility/Circuit Engineering, Provisioning Services.

Education:

Master of Business Administration - 1987
Bachelor of Science in Civil Engineering - 1982
Cisco Certified Network Associate (CCNA)
Registered Professional Engineer - State of Wisconsin

Carrie L. Cox - Director of Legal Regulatory Affairs - Telephony

Primary Responsibilities:
Regulatory compliance for all telephone operations and activities.

Experience:

2001 - Present
Charter Communications
Director of Legal and Regulatory Affairs - Telephone

1997 - 2001
Whyte Hirschboeck Dudek
Law Clerk and Associate Attorney

1981 - 1995
Wisconsin Bell (Ameritech)
Outside Plant Engineering

Education:

Bachelor of Arts - 1995
Juris Doctor – 1998

Brian Clark - Director of Financial Modeling and Fiscal Operations - Telephony

Primary Responsibilities:
Responsible for all financial analysis, business modeling and reconciliation.

Experience:

WilTel
Manager Tax and Treasury

CyberTel
Treasury Manager

DBX Corporation
VP Finance

MegsInet
CFO

CoreCom
VP Finance

Mission Networks
CFO

Education:

BS Business Administration - 1975
CPA in Missouri and Illinois

Mark Barber, Corporate Vice President - Telephony

Experience:

2002 - Present
Charter Communications Inc.
Corporate Vice President - Telephony

2000 - 2002
Charter Communications Inc
Regional Vice-President of Advanced Services

1995 - 2000
CFW Communications, Inc.
General Manager of Cable Operations / Added Director of Engineering, Construction, Operations, Industry Relations & Wireless Business Development for PCS, Cellular, Cable, LMDS and Paging

1994- 1995
Comcast Corporation
Vice-President / General Manager of Venezuela – Cable

1993 - 1994
Comcast Corporation
Corporate Director of Operations Europe – Cable Telephony

1992 - 1993
Comcast Corporation
Director of Operations – Birmingham – Cable Telephony

1992
CHASE INTERNATIONAL - POLAND
Regional Manager Poland – Cable

1990 - 1991
Chase International – Poland
General Manager – Gdansk - Cable

1988 – 1990
Hauser Communications
Director of Operations - Cable

1987 - 1988
Comsonics, Inc.
Vice President Sales & Marketing

1984 - 1986
Comsonics, Inc.
Vice-President Operations & Corporate Development

1983
Comsonics, Inc.
Manager of Repair Lab Services

1981- 1982
Comsonics, Inc.
National CATV Field Engineer

1979 - 1980
Instrumentation's Laboratories, Inc.
Regional Field Service Engineer

1973 - 1977
United States Marine Corps
Test Equipment Repair and Calibration of Radar, Radio, Nav-Aids and Test Equipment

COPY

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June 9, 2004

Arizona Corporation Commission
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VIA OVERNIGHT MAIL

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

Re: Staff's Letter of Insufficiency and First Set of Data Requests to Charter Fiberlink AZ – CCVII, LLC. Docket No. T-04260A-04-0383

Dear Sir or Madam:

We are in receipt of the above-referenced letter, dated June 2, 2004, wherein the Staff of the Arizona Corporation Commission indicated that it required additional information in connection with its review of Charter Fiberlink AZ – CCVII, LLC's ("Charter") Application for a Certificate of Convenience and Necessity (the "Application") to provide telecommunications and data communications services in the State of Arizona. In accordance with the Staff's request, Charter hereby provides the following responsive information. The numbered paragraphs correspond to the Staff's individual data requests.

1. **In the application submitted, there are mentions of private line service. If Charter plans to offer private line service, please indicate this by amending question (A-1) of the application form to include private line service.**

Charter intends to offer private line voice and data services in Arizona. Accordingly, Charter hereby amends its response to question (A-1) of the Application by replacing its previously submitted response with the following:

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

X Resold Long Distance Telecommunications Services (Answer Sections A, B).

X Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).

X Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).

EXHIBIT
A-2
admitted 11-22-05

X Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)

X Alternative Operator Services Telecommunications Services (Answer Sections A, B)

X Other (Facilities-Based Private Line Telecommunications Services).

2. **Please indicate if Charter plans to offer the services it is requesting the authority to provide in the residential and/or the business market(s).**

Charter plans to offer its services described in the Application in both the residential and business markets.

3. **Please submit a balance sheet and income statement for the calendar year ending December 31, 2003.**

Because Charter is a newly formed company, it does not have audited financial information for the year ending December 31, 2003. Accordingly, Charter provides herewith the balance sheet and income statement for the calendar year ending December 31, 2003 of its ultimate corporate parent, Charter Communications, Inc. Such financial information is attached hereto at Exhibit "A".

Charter expects that the information above will satisfy the issues addressed in the Staff's letter of June 2, 2004. As such, Charter respectfully requests that the Staff recommend that its Application in the above-referenced action be approved.

If you have any questions or comments, please do not hesitate to call the undersigned.

Sincerely,

Brad S. Macdonald
Counsel for Charter Fiberlink AZ – CCVII, LLC

Enc.

cc: Charter Fiberlink AZ – CCVII, LLC
(with enclosure)
Charles A. Hudak, Esq.
(without enclosure)

EXHIBIT "A"

FINANCIAL INFORMATION

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in millions, except share data)

	December 31, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 127	$ 321
Accounts receivable, less allowance for doubtful accounts of $17 and $19, respectively	189	259
Receivables from related party	—	8
Prepaid expenses and other current assets	34	45
Total current assets	350	633
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation of $3,950 and $2,634, respectively	7,014	7,679
Franchises, net of accumulated amortization of $3,445 and $3,452, respectively	13,680	13,727
Total investment in cable properties, net	20,694	21,406
OTHER NONCURRENT ASSETS	320	345
Total assets	$21,364	$22,384
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,235	$ 1,345
Total current liabilities	1,235	1,345
LONG-TERM DEBT	18,647	18,671
DEFERRED MANAGEMENT FEES – RELATED PARTY	14	14
OTHER LONG-TERM LIABILITIES	899	1,212
MINORITY INTEREST	689	1,050
PREFERRED STOCK – REDEEMABLE; $.001 par value; 1 million shares authorized; 545,259 and 505,664 shares issued and outstanding, respectively	55	51
SHAREHOLDERS' EQUITY (DEFICIT):		
Class A Common stock; $.001 par value; 1.75 billion shares authorized; 295,038,606, and 294,536,830 shares issued and outstanding, respectively	—	—
Class B Common stock; $.001 par value; 750 million shares authorized; 50,000 shares issued and outstanding	—	—
Preferred stock; $.001 par value; 250 million shares authorized; no non-redeemable shares issued and outstanding	—	—
Additional paid-in capital	4,700	4,697
Accumulated deficit	(4,851)	(4,609)
Accumulated other comprehensive loss	(24)	(47)
Total shareholders' equity (deficit)	(175)	41
Total liabilities and shareholders' equity (deficit)	$21,364	$22,384

The accompanying notes are an integral part of these consolidated financial statements

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in millions, except per share and share data)

	Year Ended December 31, 2003	2002	2001
REVENUES	$ 4,819	$ 4,566	$ 3,807
COSTS AND EXPENSES:			
Operating (excluding depreciation and amortization)	1,952	1,807	1,486
Selling, general and administrative	940	963	826
Depreciation and amortization	1,479	1,439	2,693
Impairment of franchises	—	4,638	—
Gain on sale of system	(21)	—	—
Option compensation expense (income), net	4	5	(5)
Special charges, net	21	36	18
Unfavorable contracts and other settlements	(72)	—	—
	4,303	8,888	5,018
Income (loss) from operations	516	(4,322)	(1,211)
OTHER INCOME AND EXPENSES:			
Interest expense, net	(1,557)	(1,503)	(1,310)
Gain (loss) on derivative instruments and hedging activities, net	65	(115)	(50)
Gain on debt exchange, net	267	—	—
Loss on equity investments	(3)	(3)	(54)
Other, net	(13)	(1)	(5)
	(1,241)	(1,622)	(1,419)
Loss before minority interest, income taxes and cumulative effect of accounting change	(725)	(5,944)	(2,630)
MINORITY INTEREST	377	3,176	1,461
Loss before income taxes and cumulative effect of accounting change	(348)	(2,768)	(1,169)
INCOME TAX BENEFIT	110	460	12
Loss before cumulative effect of accounting change	(238)	(2,308)	(1,157)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX	—	(206)	(10)
Net loss	(238)	(2,514)	(1,167)
Dividends on preferred stock – redeemable	(4)	(3)	(1)
Net loss applicable to common stock	$ (242)	$ (2,517)	$ (1,168)
LOSS PER COMMON SHARE, basic and diluted	$ (0.82)	$ (8.55)	$ (4.33)
Weighted average common shares outstanding, basic and diluted	294,597,519	294,440,261	269,594,386

The accompanying notes are an integral part of these consolidated financial statements.

ROSHKA HEYMAN & DEWULF

ROSHKA HEYMAN & DEWULF, PLC
ATTORNEYS AT LAW
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET
SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

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AZ CORP COMMISSION
DOCUMENT CONTROL

August 30, 2004

Mr. Adam LeBrecht
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: Staff's Letter of Insufficiency and Second Set of Data Requests to Charter Fiberlink AZ – CCVII, LLC; Docket No. T-04260A-04-0383

Dear Mr. LeBrecht:

Enclosed please find the responses of Charter Fiberlink AZ – CCVII, LLC. to Staff's 2nd set of data requests in this docket.

Sincerely,

Michael W. Patten

MWP:mi
Enclosure
cc: Docket Control

EXHIBIT
A-3
admitted 11-22-05 [illegible]

Charter Fiberlink AZ-CCVII, LLC.'s
Responses To Staff's 2nd Set Of Data Requests
Docket No. T-04260A-04-0383
August 30, 2004

1. Please submit a non-PDF file of your responses to this data request to alebrecht@cc.state.az.us.

RESPONSE: An electronic copy of Charter's responses to the data request will be sent via electronic mail, in MS Word format, to alebrecht@cc.state.az.us.

Charter Fiberlink AZ-CCVII, LLC.'s
Responses To Staff's 2nd Set Of Data Requests
Docket No. T-04260A-04-0383
August 30, 2004

2. Please explain how your company calculated the maximum and minimum rates for each of your proposed services.

RESPONSE: Charter plans to offer the services described in its Application pursuant to rates set on an individual case basis ("ICB"). Accordingly, there are no "minimum" or "maximum" rates for Charter's proposed services in Arizona. The ICB rates will be based upon several factors, including Charter's costs incurred in providing the services, the customers' respective volume and term commitments and prevailing market conditions.

Charter Fiberlink AZ-CCVII, LLC.'s
Responses To Staff's 2nd Set Of Data Requests
Docket No. T-04260A-04-0383
August 30, 2004

3. Please indicate why you believe your proposed range of rates is just and reasonable using a competitive market analysis. Your analysis may contain publicly available examples of rates charged by the incumbent or other carriers for similar services or any other information that you believe demonstrates that your proposed rates are just and reasonable. Please include any supporting materials. For a list of telecommunications carriers certificated in Arizona, go to www.cc.state.az.us/utility/utility; for a list of Commission-approved telecommunications rates and tariffs, go to www.cc.state.az.us/utility/tariffs.

RESPONSE: Charter plans to offer its services described in the Application on an ICB basis. Accordingly, there is no established range of rates associated with Charter's proposed services in Arizona. The ICB rates will be based upon several factors, including Charter's costs incurred in providing the services, the customers' respective volume and term commitments and prevailing market conditions. Because Charter will be seeking customers in highly competitive markets in Arizona, it will have to negotiate "just and reasonable" ICB rates to effectively win business in Arizona.

Charter Fiberlink AZ-CCVII, LLC.'s
Responses To Staff's 2nd Set Of Data Requests
Docket No. T-04260A-04-0383
August 30, 2004

4. Please indicate why you believe your proposed range of rates is just and reasonable using a fair value or cost basis. Please include economic justification or cost support data. Please include any supporting materials.

RESPONSE: Charter plans to offer the services described in its Application on an ICB basis. Accordingly, there is no established range of rates associated with Charter's proposed services in Arizona. The ICB rates will be based upon several factors, including Charter's costs incurred in providing the services, the customers' respective volume and term commitments and prevailing market conditions. Because Charter will be seeking customers in highly competitive markets in Arizona, it will have to negotiate "just and reasonable" ICB rates to effectively win business in Arizona.

Charter Fiberlink AZ-CCVII, LLC.'s
Responses To Staff's 2nd Set Of Data Requests
Docket No. T-04260A-04-0383
August 30, 2004

5. Please submit a copy of your tariffs setting forth your actual rates and charges.

RESPONSE: Charter plans to offer its services described in the Application on an ICB basis. Accordingly, there is no established range of rates associated with Charter's proposed services in Arizona. A copy of Charter's proposed tariff was attached as an attachment to the application in this docket.

Charter Fiberlink AZ-CCVII, LLC.'s
Responses To Staff's 2nd Set Of Data Requests
Docket No. T-04260A-04-0383
August 30, 2004

6. Please identify any other jurisdictions in which your company or an affiliate provides similar services. Please specify the rates that your company and/or affiliate charges for these similar services in these other jurisdictions. If there is a difference between the rates that your company is proposing for its Arizona operations and the rates that your company and/or affiliate charges in other jurisdictions for similar services, please identify and indicate the amount of the difference and explain why you are proposing different rates in Arizona.

RESPONSE: Charter is not certificated to provide telecommunications or data communications services in any other jurisdiction. However, Charter has numerous affiliates certificated to provide similar services in the jurisdictions set forth below. These affiliates also price their services on an ICB basis.

Affiliate	State
Charter Fiberlink - Alabama, LLC	Alabama
Charter Fiberlink AR - CCVII, LLC	Arkansas
Charter Fiberlink CA - CCO, LLC	California
Charter Fiberlink CA - CCVII, LLC	California
Charter Fiberlink CO - CCVII, LLC	Colorado
Charter Fiberlink - Georgia, LLC	Georgia
Charter Fiberlink ID - CCVII, LLC	Idaho
Charter Fiberlink - Illinois, LLC	Illinois
Charter Fiberlink KS - CCO, LLC	Kansas
Charter Fiberlink - Kentucky, LLC	Kentucky
Charter Fiberlink MA - CCO, LLC	Massachusetts
Charter Fiberlink - Michigan, LLC	Michigan
Charter Fiberlink, LLC	Minnesota
Charter Fiberlink - Missouri, LLC	Missouri
Charter Fiberlink - Nebraska, LLC	Nebraska
Charter Fiberlink NM - CCO, LLC	New Mexico
Charter Fiberlink NY - CCO, LLC	New York
Charter Fiberlink NY - CCVII, LLC	New York
Charter Fiberlink NV - CCVII, LLC	Nevada
Charter Fiberlink NC - CCO, LLC	North Carolina
Charter Fiberlink NC - CCVII, LLC	North Carolina
Charter Fiberlink OR - CCVII, LLC	Oregon
Charter Fiberlink SC - CCO, LLC	South Carolina
Charter Fiberlink SC - CCVII, LLC	South Carolina
Charter Fiberlink - Tennessee, LLC	Tennessee

Charter Fiberlink AZ-CCVII, LLC.'s
Responses To Staff's 2nd Set Of Data Requests
Docket No. T-04260A-04-0383
August 30, 2004

Charter Fiberlink TX - CCO, LLC	Texas
Charter Fiberlink VA - CCO, LLC	Virginia
Charter Fiberlink VT - CCO, LLC	Vermont
Charter Fiberlink WA- CCVII, LLC	Washington
Charter Fiberlink WV - CCO, LLC	West Virginia
Charter Fiberlink, LLC	Wisconsin

7. Please identify any other jurisdictions in which your company or an affiliate is applying to provide similar services. Please specify the rates that your company and/or affiliate proposes to charge for these similar services in these other jurisdictions. If there is a difference between the rates that your company is proposing for its Arizona operations and the rates that your company and/or affiliate is proposing to charge in other jurisdictions for similar services, please identify and indicate the amount of the difference and explain why you are proposing different rates in Arizona.

RESPONSE: Charter is not seeking certification to provide telecommunications or data communications services in any other jurisdiction. However, Charter's affiliates have applied for certification to provide similar services in the following jurisdictions.

Affiliate	State
Charter Fiberlink AZ – CCVII, LLC	Arizona
Charter Fiberlink CT - CCO, LLC	Connecticut
Charter Fiberlink ID - CCVII, LLC	Idaho
Charter Fiberlink LA – CCO, LLC	Louisiana
Charter Fiberlink MS - CCVI, LLC	Mississippi
Charter Fiberlink OK - CCVII, LLC	Oklahoma
Charter Fiberlink WV - CCO, LLC	West Virginia

ROSHKA DEWULF & PATTEN

ROSHKA DEWULF & PATTEN, PLC
ATTORNEYS AT LAW
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET
SUITE 800
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TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

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2005 SEP 29 A 10: 54

AZ CORP COMMISSION
DOCUMENT CONTROL

September 29, 2005

Hand-Delivered
Mr. Adam LeBrecht
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: Charter Fiberlink AZ – CCVII, LLC; Docket No. T-04260A-04-0383

Dear Mr. LeBrecht:

In response to your recent inquiries regarding proposed tariffs and updated information, I am enclosing the following documents.

1. A revised tariff showing rates in addition to ICB for private line services. We would consider the rates in the tariff to be both the maximum rates and offered rate. ICB rates would be provided under Section 3.12.

2. Charter's local exchange and interexchange tariffs from Missouri showing service descriptions and rates for various local exchange and long distance service offerings. Prior to launching residential local exchange and long distance service offerings in Arizona, Charter would expect to file similar tariffs containing full descriptions of the rates, terms and conditions of its services. Please note, however, that the attached tariffs are merely pro forma examples. These Arizona tariffs would be similar in form and substance (taking into account particularities with respect to Arizona) as those filed in Missouri. Moreover, the rates may be adjusted based on the particular circumstances in Arizona -- as well as changes in the industry – at the time the final tariffs are filed.

3. Updated infrastructure for Charter Fiberlink regarding: (i) a list of states in which Charter or its affiliates have applied for authority to provide, or have been approved to provide, intrastate telecommunications services (this information supplements Section A-18 of the application) and (ii) updated list of officers (this information supplements Attachment A to the application).

EXHIBIT
A-4
admitted 11-22-05 JL

4. The most recent SEC Form 10-Q filing (dated June 30, 2005) for Charter Fiberlink's parent (this information supplements Attachment D to the application).

If you have any questions about the foregoing, please do not hesitate to contact me.

Sincerely,

Michael W. Patten

MWP:mi
Enclosures
cc: Docket Control
Administrative Law Judge Wolfe

EXHIBIT 1

Charter Fiberlink AZ - CCVII, LLC

12405 POWERSCOURT DRIVE
ST. LOUIS, MISSOURI 63131-3674

COMPETITIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES TARIFF

This tariff contains the description, regulations and rates for the furnishing of services and facilities for telecommunications services provided by Charter Fiberlink AZ - CCVII, LLC with principal offices at Charter Fiberlink AZ - CCVII, LLC, 12405 Powerscourt Drive, St. Louis, Missouri 63131-3674. This tariff applies for service furnished within the State of Arizona. This tariff is on file with the Arizona Corporation Commission and copies may be inspected during normal business hours.

CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date indicated below.

Sheet	Revision	Sheet	Revision
1	Original	17	Original
2	Original	18	Original
3	Original	19	Original
4	Original	20	Original
5	Original	21	Original
6	Original	22	Original
7	Original	23	Original
8	Original	24	Original
9	Original	25	Original
10	Original	26	Original
11	Original	27	Original
12	Original	28	Original
13	Original		
14	Original		
15	Original		
16	Original		

* = New/Revised this issue

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SYMBOLS

The following are the only symbols used for the purposes indicated below:

(D)	Delete or Discontinue
(I)	Change Resulting in an Increase to a Customer's Bill
(M)	Moved from Another Tariff Location
(N)	New
(R)	Change Resulting in a Reduction to a Customer's Bill
(T)	Change in Text or Regulation but no Change in Rate or Charge

TARIFF FORMAT

A. **Sheet Numbering** - Page numbers appear in the upper right corner of the sheet. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between existing pages with whole numbers, a decimal is added. For example, a new page added between pages 34 and 35 would be page 34.1.

B. **Sheet Revision Numbering** - Revision numbers also appear in the upper right corner of the page. These numbers are used to determine the most current page version on file with the Commission. For example, 4th Revised Page 34 cancels the 3rd Revised Page 34. Consult the check sheet for the page currently in effect.

C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. **Check Sheet** - When a tariff is filed with the Commission, an updated check sheet accompanies the tariff filing. The check sheet lists the tariff pages, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates and terms and conditions of service applicable to the furnishing of intrastate local exchange telecommunications services by Charter Fiberlink AZ - CCVII, LLC ("Company") to Customers within the State of Arizona.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 Definitions

Busy Hour - The two consecutive half hours during which the greatest volume of traffic is handled.

Call - A completed connection between the Calling and Called parties.

Calling Station - The telephone number from which a Call originates.

Called Station - The telephone number called.

Carrier Customer – A carrier that orders exchange access or retail services from the Company.

Commission - The Arizona Corporation Commission.

Company or Carrier – Charter Fiberlink AZ - CCVII, LLC, unless specifically stated otherwise.

Customer – A person, firm, corporation, partnership or other entity, in whose name the telephone number of the Calling Station is registered with the underlying local exchange company. The Customer is responsible for payment of charges to the Company and compliance with all terms and conditions of this tariff.

Day - The period of time from 8:00 a.m. to (but not including) 5:00 p.m., Monday through Friday, as measured by local time at the location from which the Call is originated.

Disconnect - To render inoperable or to disable circuitry thus preventing outgoing and incoming communications service.

DS1 – Digital Signal, level 1. Capable of transmitting data at 1.544 Mbps.

DS3 – Digital Signal, level 3. Capable of transmitting data at 44.736 Mbps.

Evening - The period of time from 5:00 p.m. to (but not including) 11:00 p.m., Sunday through Friday and any time during a Holiday, as measured by local time at the location from which the Call is originated.

Gbps – One thousand million bits per second.

Incomplete - Any Call where voice transmission between the Calling and Called station is not established.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

1.1 Definitions (Cont'd)

Holiday - For the purposes of this tariff recognized holidays are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Mbps – One million bits per second.

Message - A completed telephone call by a Customer or User.

Normal Business Hours – The hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays.

OC3 – Optical Carrier, level 3. A SONET channel capable of transmitting data at 155.52 Mbps.

OC12 – Optical Carrier, level 12. A SONET channel capable of transmitting data at 622.08 Mbps.

OC48 – Optical Carrier, level 48. A SONET channel capable of transmitting data at 2.488 Gbps.

Premises – The space occupied by an individual Customer in a building, in adjoining buildings occupied entirely by that Customer, or on contiguous property occupied by the Customer separated only by a public thoroughfare, a railroad right of way, or a natural barrier.

Rate – Money, charge, fee or other recurring assessment billed to Customers for services or equipment.

State – Arizona.

Terminal Equipment - Telephone instruments, including pay telephone equipment, the common equipment of large and small key and PBX systems and other devices and apparatus, and associated wiring, which are intended to be connected electrically, acoustically, or inductively to the telecommunication system.

User or End User – Customer or any authorized person or entity that utilizes the Company's services.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SECTION 1 – TECHNICAL TERMS AND ABBREVIATIONS (Cont'd)

1.2 Abbreviations

CLEC – Competitive Local Exchange Carrier

CO – Central Office

CPE – Customer Premises Equipment

DS1 – Digital Signal, Level 1

DS3 – Digital Signal, Level 3

ILEC – Incumbent Local Exchange Carrier

NPA – Numbering Plan Area (Area Code)

OC3 – Optical Carrier, Level 3

OC12 – Optical Carrier, Level 12

OC48 – Optical Carrier, Level 48

PBX – Private Branch Exchange

PIC – Primary or Preferred Interexchange Carrier

POP – Point of Presence

V&H - Vertical and Horizontal Coordinates

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 The Company provides telecommunications services to business and carrier Customers.

2.1.2 The Company installs, operates and maintains the communications services provided herein in accordance with the terms and conditions set forth in this tariff. When authorized by the Customer, the Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities to allow connection of a Customer's location to the Company's network. The Customer shall be responsible for all charges due for such service arrangements.

2.1.3 The Company's services are provided on a monthly basis, unless otherwise stated in this tariff. Services are available twenty-four (24) hours per day, seven (7) days per week.

2.2 Limitations of Service

2.2.1 Service is offered subject to the availability of facilities and provisions of this tariff.

2.2.2 Service is furnished to the User for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other Users.

2.2.3 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 The Company's services may be denied for nonpayment of charges or for other violations of the terms and conditions set forth in this tariff.

2.2.5 The use of the Company's services to make Calls which might reasonably be expected to frighten, abuse, torment, or harass another is prohibited.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.2 Limitations of Service (Cont'd)

2.2.6 Service temporarily may be refused or limited because of system capacity limitations.

2.2.7 Service is subject to transmission limitations caused by natural (including atmospheric, geographic or topographic) or artificial conditions adversely affecting transmission.

2.2.8 Service to any or all Customers may be temporarily interrupted or curtailed due to equipment modifications, upgrades, relocations, repairs and similar activities necessary for proper or improved operations.

2.2.9 The Company reserves the right to discontinue furnishing service where the Customer is using the service in violation of the law or the provisions of this tariff.

2.3 Limitations of Liability

2.3.1 Because the Company has no control of communications content transmitted over its system, and because of the possibility of errors incident to the provision and use of its service, service furnished by the Company is subject to the terms, conditions and limitations herein specified.

2.3.2 The Company is not liable to Users for interruptions in service except as set forth in Section 2.5 of this tariff.

2.3.3 The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited, unless otherwise ordered by the Commission, to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.4 The Company shall not be liable for and the User shall indemnify and hold the Company harmless against any claims for loss or damages involving:

2.3.4.A Any act or omission of: (i) the User; or (ii) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company;

2.3.4.B Interruptions or delays in transmission, or errors or defects in transmission, or failure to transmit when caused by or as a result of acts of God, fire, flood or other catastrophes, war, riots, national emergencies, government or military authorities, strikes, lock-outs, work stoppages or other labor difficulties, or causes beyond the Company's control;

2.3.4.C Any unlawful or unauthorized use of the Company's facilities and services;

2.3.4.D Libel, slander or infringement of copyright arising directly or indirectly from content transmitted over facilities provided by the Company;

2.3.4.E Infringement of patents arising from combining apparatus and systems of the User with facilities provided by the Company;

2.3.4.F Claims arising out of any act or omission of the User in connection with service provided by the Company.

2.3.4.G Breach in the privacy or security of communications transmitted over the Company's facilities;

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.4 (Cont'd)

2.3.4.H Changes in any of the facilities, operations or procedures of the Company that: (1) render any equipment, facilities or services provided or utilized by the User obsolete; (2) require modification or alteration of such equipment, facilities or services; or (3) otherwise affect use or performance of such equipment, facilities or services except where reasonable notice is required by the Company and is not provided to the Customer.

2.3.4.I Defacement of or damage to the Customer's Premises or personal property resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement is caused by negligence or the willful misconduct of the Company's agents or employees.

2.3.4.J Any wrongful act of a Company employee where such act is not authorized by the Company and is not within the scope of the employee's responsibilities for the Company;

2.3.4.K Any noncompleted calls due to network busy conditions; and

2.3.4.L Any calls not actually attempted to be completed during any period that service is unavailable.

2.3.5 The User shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in its defense against claims set forth in Section 2.3.4.

2.3.6 The Company assumes no responsibility for the availability or performance of any facilities under the control of other entities that are used to provide service to the User, even if the Company has acted as the User's agent in arranging for such facilities or services.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.3 Limitations of Liability (Cont'd)

2.3.7 Any claim against the Company shall be deemed waived unless presented in writing to the Company within thirty (30) days after the date of the occurrence that gave rise to the claim.

2.3.8 With respect to the services provided pursuant to this tariff, the Company makes no representations or warranties, express or implied, either in fact or by operation of law, statutory or otherwise, including, but not limited to, warranties of title or implied warranties of merchantability or fitness for a particular purpose, except those expressly set forth in this tariff. The Company does not authorize anyone to make a warranty or representation of any kind on its behalf and the User should not rely on any such statement.

2.3.9 Any liability of the Company for loss or damages arising out of mistakes, omissions, interruptions, delays, errors or defects in the service, the transmission of the service, or failures or defects in facilities furnished by the Company, occurring in the course of furnishing service shall in no event exceed an amount equivalent to the proportionate fixed monthly charge to the Customer for service, during the period of time in which such mistakes, omissions, interruptions, delays, errors or defects in the service, its transmission or failure or defect in facilities furnished by the Company occurred.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders, complying with tariff regulations and ensuring that Users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements of any governmental entity relating to services provided by the Company to the Customer or made available by the Customer to another User. The Customer also is responsible for the payment of charges for all Calls originated at the Customer's numbers which are not collect, third party, calling card, or credit card Calls.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.4 Responsibilities of the Customer (Cont'd)

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

2.4.3 If required for the provisioning of the Company's services, the Customer must provide the Company, free of charge, with any necessary equipment space, supporting structure, conduit and electrical power.

2.4.4 The Customer is responsible for arranging access to its Premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.

2.4.5 The Customer must pay the Company for replacement or repair of damage to the Company's equipment or facilities caused by negligent or improper use on the part of the Customer, Users, or others.

2.4.6 The Customer must indemnify the Company for the theft of any Company equipment or facilities installed at the Customer's Premises.

2.4.7 The Customer agrees, except where the events, incidents or eventualities set forth in this sentence are the result of the Company's gross negligence or willful misconduct, to release, indemnify and hold harmless the Company against any and all loss, claims, demands, suits or other action or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss of or damage to any property, whether owned by the Customer or others. The Customer shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in its defense against such actions.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Allowances for Interruptions in Service

2.5.1 General

2.5.1.A A service is interrupted when it becomes unusable to the User, *e.g.*, the User is unable to transmit or receive communications due to the failure of a component furnished by the Company under this tariff.

2.5.1.B An interruption period begins when the User reports a service, facility or circuit to be inoperative and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

2.5.1.C If the User reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service facility or circuit considered by the Company to be impaired.

2.5.2 Application of Credits for Interrupted Services

2.5.2.A At the Customer's request, a credit allowance for a continuous interruption of service for more than twenty-four (24) hours will be made in an amount to be determined by the Company on a case-by-case basis.

2.5.2.B Any such interruption will be measured from the time it is reported to or detected by the Company, whichever occurs first.

2.5.2.C In the event the User is affected by such interruption for a period of less than twenty-four (24) hours, no adjustment will be made. No adjustments will be earned by accumulating non-continuous periods of interruption.

2.5.2.D When an interruption exceeds twenty-four (24) hours, the length of the interruption will be measured in twenty-four (24) hour days. A fraction of a day consisting of less than twelve (12) hours will not be credited and a period of twelve (12) hours or more will be considered an additional day.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.5 Allowances for Interruptions in Service (Cont'd)

2.5.3 Limitations on Allowances

2.5.3.A No credit allowance will be made for any interruption of service:

2.5.3.A.1 due to the negligence of, or noncompliance with the provisions of this tariff by, any person or entity other than the Company, including but not limited to the Customer or other entities or carriers connected to the service of the Company;

2.5.3.A.2 due to the failure of power, equipment, systems or services not provided by the Company;

2.5.3.A.3 due to circumstances or causes beyond the control of the Company;

2.5.3.A.4 during any period in which the Company is not given full and free access to the Customer's or Company's facilities and equipment for the purpose of investigating and correcting the interruption;

2.5.3.A.5 during any period in which the User continues to use the service on an impaired basis;

2.5.3.A.6 during any period in which the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;

2.5.3.A.7 that occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and

2.5.3.A.8 that was not reported to the Company within thirty (30) days of the date that service was affected.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.6 Termination of Service

2.6.1 A Customer may terminate service, with or without cause, by giving the Company notice either verbally or in writing. If the Company has a term contract, early termination charges may apply. The Company may terminate service with cause by giving the Customer five (5) business days' written notice. The Company may terminate service without notice in the event of the Customer maintaining and/or operating its own equipment in a manner that may cause imminent harm to the Company's equipment.

2.6.2 The Customer is responsible for all charges incurred to the Calling Station regardless of which party terminates the service. The Customer shall reimburse the Company for all costs, expenses and fees (including reasonable attorneys' fees and costs) incurred by the Company in collecting such charges.

By: Carrie L. Cox
Director of Legal and Regulatory Affairs
Charter Fiberlink AZ - CCVII, LLC
12405 Powerscourt Drive
St. Louis, Missouri 63131-3674

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.7 Payment of Charges

2.7.1 The Customer is responsible for payment of all charges for service furnished to the User.

2.7.2 The Company reserves the right to assess late payment charges for Customers whose account(s) carries principal owing from the prior billing period. Any charges not paid in full by the due date indicated on the billing statement may be subject to a late fee of 1.5% per month.

2.7.3 Recurring monthly charges may be invoiced one month in advance. Invoicing cycles are approximately 30 days in length.

2.7.4 Customers must notify the Company either verbally or in writing of any disputed charges within thirty (30) days of the billing date, otherwise all charges on the invoice will be deemed accepted. All charges remain due and payable at the due date, although a Customer is not required to pay disputed charges while the Company conducts its investigation into the matter.

2.8 Deposits

The Company may, in some instances, require deposits from Customers. Any such cash deposit received by the Company will bear simple interest at a rate of 7% per annum. Deposits will not exceed two and a half times (2.5x) the estimated monthly charge for service.

2.9. Advance Payments

The Company may require advance payments from Customers for the following services:

(1) The construction of facilities and furnishing of special equipment; or

(2) Temporary service for short-term use.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.10 Contested Charges

All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company no more than thirty (30) days after such bills are rendered. In the event that a billing dispute between the Customer and the Company for service furnished to the Customer cannot be settled with mutual satisfaction, the Customer may take the following course of action:

2.10.1 First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.10.2 Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the Arizona Corporation Commission. The address of the Commission is:

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927
602-542-3477

2.11 Taxes

State and local sales, use and similar taxes or regulatory fees and assessments are billed as separate items and are not included in the quoted rates for service.

SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.12 Contract Service Arrangements

At the option of the Company, services may be offered on a contract basis to meet specialized requirements of the Customer not contemplated in this tariff. The terms of each contract shall be mutually agreed upon between the Customer and the Company and may include discounts off of rates contained herein, waiver of recurring or nonrecurring charges, charges for specially designed and constructed services not contained in the Company's general service offerings, or other customized features. The terms of the contract may be based partially or completely on the term and volume commitment, type of originating or terminating access, mixture of services or other distinguishing features.

2.13 Special Construction

At its option, the Company may provide Customers, upon request, special construction of facilities or services on an individual case basis ("ICB") at rates other than as set forth herein. Special construction or ICB is construction undertaken:

2.13.1 where facilities are not presently available, and there is no other provision hereunder for the facilities to be constructed;

2.13.2 where facilities other than those which the Company provides are requested by the Customer;

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SECTION 2 - RULES AND REGULATIONS (Cont'd)

2.13 Special Construction (Cont'd)

2.13.3 where facilities are requested by the Customer over a route other than that which the Company serves;

2.13.4 when services are requested in a quantity greater than that which the Company would normally provide to a Customer;

2.13.5 when services are requested by a Customer on an expedited basis;

2.13.6 when services or facilities are requested on a temporary basis until such services or permanent facilities are available.

The charges for special construction or ICB (i) are subject to individual negotiation between the Company and the Customer, (ii) will be based upon the Company's actually incurred labor, material and other costs, and (iii) may include without limitation recurring, non-recurring, and early termination charges.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Timing of Calls

3.1.1 The Customer's monthly usage charges for the Company's services are based upon the total number of minutes the Customer uses and the service options to which the Customer subscribes. Chargeable time begins at the time a connection is established (*i.e.* when two-way communications is possible), and ends when a party terminates the connection.

3.1.2 No charges apply if a connection is not completed.

3.1.3 For billing purposes, all Calls are rounded up to the nearest minute and billed in increments of one minute. The minimum Call duration is 1 minute for a connected Call.

3.1.4 Where applicable, charges will be rounded up to the nearest penny.

3.1.5 Usage begins when a connection is established (*i.e.* when two-way communication is possible). A Call is terminated when the calling or called party terminates the connection.

3.2 Start of Billing

For billing purposes, the start of service is the day following acceptance by the Customer of the Company's service or equipment. The end of service date is the last day after receipt by the Company of notification of cancellation as described in Section 2.6.1 of this tariff.

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SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.3 Calculation of Distance

3.3.1 Where applicable, usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the Call.

3.3.2 Where applicable, the airline mileage between rate centers is determined by applying a formula to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in their NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

3.4 Minimum Call Completion Rate

The Customer can expect a call completion rate of at least 97% per 100 Calls attempted during peak use periods for all services.

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SECTION 3 - DESCRIPTION OF SERVICE (Cont'd)

3.5 Service Offerings

The Company offers local exchange telecommunications services. The Customer's total monthly use of the Company's service is charged at the applicable rates per minute set forth herein, in addition to any monthly service charges. None of the service offerings are time-of-day sensitive.

3.5.1 Leased Line Service

A leased line is a private, dedicated point-to-point connection between a Company POP and another point on the Company's fiber-optic network specified by the Customer. Leased line service is provided to Customers on a statewide basis, based upon the location of the Company's facilities, with transmission speeds of either DS1 (1.5444 Mbps), DS3 (44.736 Mbps), OC3 (155,52 Mbps), OC12 (622.08 Mbps) and OC48 (2,488.32 Mbps). A local access line may be necessary to connect the Customer network or premise with the Company POP. This local access line may be provided to the Customer by the Customer's local exchange carrier.

3.6 Miscellaneous Services

3.6.1 Order Change

An Order Change is a change in the Customer's service requested subsequent to installation.

3.6.2 Bad Check Charge

If payment for Service is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer a returned check charge. In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as cashier's check, certified check or money order.

3.6.3 Reconnection

Reconnection charges occur where service to an existing Customer has been discontinued for proper cause, and the Customer desires to resume service with the Company. Where a Customer desires reconnection, the Customer will be charged a fee to cover the cost to the Company of restoring service to the Customer.

SECTION 4 - RATES AND CHARGES

4.1 Leased Line Service

4.1.1 Nonrecurring Charges

Transmission Speed	Installation
DS1	$ 300.00
DS3	$ 750.00
OC3	$1500.00
OC12	$6000.00

Note: The foregoing rates represent a one time installation charge associated with the Service.

4.1.2 Recurring Charges

4.1.2.A Circuit Termination Charges

Circuit Termination Charges are based upon the length of the circuit ordered by the Customer, as follows.

Service Category	0-66 Miles	67-99 Miles	>99 Miles
DS1	$ 182.07	$ 273.11	$ 364.14
DS3	$1,543.88	$ 2,315.82	$ 3,087.75
OC3	$2,448.23	$ 3,672.34	$ 4,896.46
OC12	$7,336.56	$11,004.85	$14,673.13

4.1.2.B Circuit Mileage Charges

Circuit Mileage Charges are calculated on a per mile basis based upon the length of the circuit ordered by the Customer, subject to a minimum circuit length of fifteen (15) miles, as follows.

Service Category	0-66 Miles	67-99 Miles	>99 Miles
DS1	$ 2.56	$ 2.56	$ 2.56
DS3	$ 17.98	$ 17.98	$ 17.98
OC3	$ 30.55	$ 30.55	$ 30.55
OC12	$ 82.87	$ 82.87	$ 82.87

SECTION 4 - RATES AND CHARGES (Cont'd)

4.2 Promotions

From time to time, the Company may offer services or waive or vary service rates for promotional, market research or other similar business purposes. The Company will provide thirty (30) days prior notice to the Commission of all promotional offerings.

4.3 Bad Check Charge

If payment for Service is made by a check, draft, or similar instrument (collectively "Check") that is returned to the Company unpaid by a bank or another financial institution for any reason, the Company will bill the Customer twenty-five dollars ($25.00). In addition, the Customer may be required to replace the returned Check with a payment in cash or equivalent to cash, such as a cashier's check, certified check or money order.

4.4 Order Charge

An Order Charge is a charge of forty dollars ($40.00) for a change in the customer's service requested subsequent to installation.

4.5 Reconnect Charge

If service has been discontinued for proper cause, the Company will charge a fee of twenty-five dollars ($25.00) to defray the cost of restoring service to the Customer.

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EXHIBIT 2

Charter Fiberlink – Missouri, LLC

Intrastate Interexchange Tariff

P.S.C. MO – No. 4

This tariff applies to the resold and facilities-based **Intrastate Interexchange Telecommunications Services** furnished by Charter Fiberlink-Missouri, LLC ("Telephone Company" or "Charter Telephone") between one or more points in the State of Missouri. This tariff applies to residential customers.

This tariff is on file with the Public Service Commission of Missouri, and copies may be inspected, during normal business hours, at the Telephone Company's principal place of business, 12405 Powerscourt Drive, St. Louis, MO 63131. This tariff complies with Missouri Public Service Commission rules and Missouri statutes applicable to the Company.

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(D)

1.1. Listing of Waivers

During the Certification process, Charter Fiberlink – Missouri, LLC, requested and received waivers of certain MO PSC statutes and Commission rules for the provision of interexchange telecommunications services:

Statutes

392.210.2	Uniform system of accounts
392.240(1)	Just & Reasonable Rates
392.270	Ascertain Property Values
392.280	Depreciation accounts
392.290	Issuance of securities
392.300.2	Acquisition of stock
392.310	Issuance of stock and debt
392.320	Stock dividend payment
392.330	Issuance of securities, debts and notes
392.340	Reorganization (s)

Commission Rules

4 CSR 240-10.020	Depreciation fund income
4 CSR 240-3.545(2)(C)	Rate schedules should be posted at central office
4 CSR 240-30.040	Uniform system of accounts
4 CSR 240-33.030	Inform customers of lowest price

1.2. Explanation of Symbols/Tariff Format

The following symbols are used herein to identify schedule and text changes:

(D) Discontinued Rate, Treatment or Regulation
(I) Increased Rate, New Treatment (Increase)
(M) Move of Text - No Rate Change
(N) New Rate, Treatment or Regulation
(R) Reduced Rate, Treatment or Regulation
(T) Change in Text - No Rate Change
(Z) Correction of Text – No Rate Change

The initial issuance of the Interexchange Tariff will be designated as "Original Page XX" in the header of each page. Thereafter, any revisions filed to the Interexchange Tariff will be designated using the above symbols to indicate the area of text being changed and the page will be revised to reflect "Xth Revised Page XX".

1.3. Definitions and Terms

Glossary of Definitions and Terms:

Account - Either a Customer's physical location or individual Service represented by a unique account number within the Billing Hierarchy. Multiple Services each with a unique account number may be part of one physical location.

Alternative Local Exchange Carrier ("ALEC") or Competitive Local Exchange Carrier ("CLEC") - means any entity or person providing local exchange services in competition with an ILEC or LEC.

Authorization Code - A multi-digit code that enables a Customer to access the Telephone Company's network and enables the Telephone Company to identify the Customer's use for proper billing. Also called a Personal Identification Code or PIN.

Authorized User - A person, firm, or corporation, who is authorized by the Customer to be connected to the Service of the Customer.

Business Hours - The phrase "business hours" means the time after 7:00 A.M. and before 10:00 P.M., Monday through Friday; after 8:00 A.M. and before 5:00 P.M., Saturday (excluding holidays).

Called Station - The terminating point of a call (*i.e.*, the called number).

Calling Station - The originating point of a call (*i.e.*, the calling number).

Calling Area -A specific geographic area so designated for the purpose of applying a specified rate structure.

Carrier - The term "Carrier" means Charter Telephone or the Telephone Company.

Central Office -A Local Exchange Carrier's office where a Customer's lines are terminated for the purpose of offering local telephone service and to connect with interexchange carriers.

Competitive Local Exchange Carrier ("CLEC") or Alternative Local Exchange Carrier ("ALEC") - means any entity or person providing local exchange services in competition with an ILEC or LEC.

Commission – Missouri Public Service Commission ("MO PSC").

Customer - The person, firm, company, corporation, or other entity, having a communications requirement of its own that is responsible for the payment of charges and for compliance with this Tariff. See "End User".

Customer-Provided Equipment - Telecommunications equipment provided by a Customer used to originate calls using Charter Telephone's service located at the originating location.

Delinquent or Delinquency - An account for which payment has not been made in full on or before the last day for timely payment.

Digital Transmission - Information transmitted in the form of digitally encoded signals.

End User - The ultimate user of the telecommunications services and who orders service and is responsible for payment of charges due in compliance with the Company's price list regulations. See "Customer".

Exchange Area - A geographically defined area wherein the telephone industry through the use of maps or legal descriptions sets down specified area where individual telephone exchange companies hold themselves out to provide communications services.

Facility (or Facilities) - Any item or items of communications plant or equipment used to provide or connect to the Telephone Company Services.

FCC - Federal Communications Commission.

Incumbent Local Exchange Carrier ("ILEC") or Local Exchange Carrier ("LEC") - is any local exchange carrier that was as of February 8, 1996 deemed to be a member of the Exchange Carrier Association as set forth in 47 C.F.R. 69.601(b) of the FCC's regulations.

Incomplete Call - Any call where voice transmission between the calling party and the called station is not established (*i.e.*, busy, no answer, etc.).

Interexchange Carrier (IXC) - A common carrier that provides long distance domestic and international communication services to the public.

International - Refers to communication between U.S. and another country. (N)

Interstate - Refers to communication between states within the Continental U.S.

Intrastate – Refers to communication within a single state.

Local Access Transport Area ("LATA") - The phrase "Local Access Transport Area" means a geographical area established by the U.S. District Court for the District of Columbia in United States v. Western Electric Co., Inc., 552 F. Supp. 131 (D.D.C. 1982), within which a local exchange company provides communication services. (M)

Local Exchange Company (LEC) - A company that furnishes local exchange telephone services.

Local Exchange Service - is an arrangement which connects the residential End User's location to the LEC's network switching center, thereby allowing End User to transmit and receive local calls within the End User's local calling area, or mandatory expanded area service (EAS) area, as defined by State commissions or, if not defined by State commission, then defined in the LEC's State Tariffs.

Location -A physical premise to or from which the Telephone Company provides Service.

MRC – The monthly reoccurring charge.

NXX - The designation for the first three digits of a local telephone number where N represents 2-9 and X represents 0-9.

NPA - An area code, otherwise called numbering plan area. (M)

Other Common Carrier - The term "other common carrier" denotes a specialized or other type of common carrier authorized by the Federal Communications Commission to provide domestic or international communications services.

Premises - A building or buildings on contiguous property (except railroad rights-of-way, etc.).

Primary Interexchange Carrier (PIC) -The interexchange carrier to which a switched access line is presubscribed.

Regular Billing - A standard bill sent in the normal monthly the Telephone Company billing cycle. This billing consists of one bill for each account assigned to the Customer with explanatory detail showing the derivation of the charges.

Residential Service -The phrase "residential service" means telecommunication services used primarily as non-business service.

Services - The Telephone Company's regulated common carrier communications services provided under this Tariff.

Subscriber - The term "Customer" is synonymous with the term "subscriber".

Switch - The term "switch" denotes an electronic device that is used to provide circuit sharing, routing, and control.

Telephone Company – The term "Telephone Company" means Charter Fiberlink-Missouri, LLC.

Timely Payment - A payment on a Customer's account made on or before the due date.

Underlying Carrier - A provider of interstate and intraLATA telecommunications services from whom the Telephone Company acquires services that it resells to Customers.

2.1. Rules and Regulations

The Telephone Company undertakes to provide intrastate interexchange telecommunications services within the State of Missouri on the terms and conditions and at the rates and charges specified herein.

The Telephone Company installs, operates and maintains the communication Services provided hereunder in accordance with the terms and conditions set forth under this Tariff. It may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer to allow connection of a Customer's location to the Telephone Company's network. The Customer shall be responsible for all charges due for such service arrangements.

The Telephone Company's Services and facilities are available twenty-four (24) hours per day, seven (7) days per week.

2.1.1 Use of Service

Services provided under this Tariff may be used only for the transmission of communications in a manner consistent with the terms of this Tariff and regulations of the Federal Communications Commission.

Services provided under this Tariff shall not be used for unlawful purposes. Service will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such services are being used in violation of the law.

2.1.2 Limitations

Service is offered subject to the availability of the necessary facilities or equipment, or both facilities and equipment, and subject to the provisions of this Tariff. The obligation of the Telephone Company to provide Service is dependent upon its ability to procure, construct, and maintain facilities that are required to meet the Customer's order for Service. The Telephone Company will make all reasonable efforts to secure the necessary facilities.

The Telephone Company reserves the right to limit or to allocate the use of existing facilities, or to additional facilities offered by the Telephone Company, when necessary because of lack of facilities, relevant resources, or due to causes beyond the Telephone Company's control. In addition, the Telephone Company reserves the right to discontinue Service when the Customer is using the Service in violation of law or the provisions of this Tariff.

The Telephone Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission nor for failure to establish connections.

The Telephone Company reserves the right to refuse service to Customers due to insufficient or invalid charging information.

The Telephone Company may block calls that are made to certain cities or central office exchanges, or use certain Authorization Codes as the Telephone Company, in its sole discretion, deems reasonably necessary to prevent unlawful or fraudulent use of Service.

The Telephone Company will use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer. The Telephone Company may substitute, change, or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Customer. The Telephone Company shall have the right to make necessary repairs or changes in its facilities at any time and will have the right to suspend or interrupt service temporarily for the purpose of making the necessary repairs or changes in its system. When such suspension or interruption of service for any appreciable period is necessary, the Telephone Company will give the Customers who may be affected reasonable notice thereof as circumstances will permit, and will prosecute the work with reasonable diligence, and if practicable at time that will cause the least inconvenience. When the Telephone Company is repairing or changing its facilities, it shall take appropriate precautions to avoid unnecessary interruptions of Customer's service.

2.2 Liabilities of The Telephone Company

The Telephone Company's liability for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in the installation, provision, termination, maintenance, repair, or restoration occurring in the course of furnishing service, channels, or other facilities, and not caused by the negligence of the subscribers, commences upon activation of service. In no event does the Telephone Company's liability exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which such mistakes, omissions, interruptions, delays, errors or defects occur.

When the facilities of other carriers are used in establishing connections to points not reached by the Telephone Company's facilities, the Telephone Company is not liable for any act or omission of the other carrier(s). The Customer will indemnify and save harmless the Telephone Company from any third-party claims for such damages referred to in this Section 2.2.

In no event will the Telephone Company be responsible for consequential damages or lost profits suffered by a Customer as a result of interrupted or unsatisfactory service. The Telephone Company will not be liable for claims or damages resulting from or caused by: (i) Customer's fault, negligence or failure to perform Customer's responsibilities; (ii) claims against Customer by another party; (iii) any act or omission of any other party; or (iv) equipment or service furnished by a third party.

The Telephone Company does not guarantee or make any warranty with respect to any equipment provided by it or leased on the Customer's behalf where such equipment is used in locations containing an atmosphere which is explosive, prone to fire, dangerous or otherwise unsuitable for such equipment. The Customer shall indemnify and hold the Telephone Company harmless from any and all loss, claims, demands, suits or other actions, or any liabilities whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or persons, for any personal injury or death of any person or persons, and for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of such equipment so used.

The Telephone Company is not liable for any defacement of, or damage to, the premises of a Customer resulting from the furnishing of services or the attachment of equipment, instruments, apparatus, and associated wiring furnished by the Telephone Company on such Customer's premises or by the installation or removal thereof, when such defacement or damage is not the result of the Telephone Company negligence. No agents or employees of other participating carriers shall be deemed to be agents or employees of the Telephone Company without written authorization. The Customer will indemnify and save harmless the Telephone Company from any claims of the owner of the Customer's premises or other third party claims for such damages.

The Telephone Company and Customer shall be excused from performance under this Tariff and under the application for service for any period, and to the extent that the party is prevented from performing any service pursuant hereto, in whole or in part, as a result of delays caused by the other party or an Act of God, governmental agency, war, civil disturbance, court order, lockouts or work stoppages or other labor difficulties, third party nonperformance (including the failure of performance for reasons beyond the control of common carriers, interexchange carriers, local exchange carriers, suppliers and subcontractors), or other cause beyond its reasonable control, including failures or fluctuations in electrical equipment, and such nonperformance shall not be deemed a violation of this Tariff or of the application for service or grounds for termination of service. Both parties retain all rights of recourse against any third parties for any failures which may create a force majeure condition for the other party.

The Telephone Company is not liable for any damages, including toll usage charges, the Customer may incur as a result of the unauthorized use of its telephone facilities. This unauthorized use of the Customer's facilities includes, but is not limited to, the placement of calls from the Customer's premises, and the placement of calls through Customer-provided equipment that are transmitted or carried on the Telephone Company network.

Where there is a connection via Customer-provided terminal equipment or Customer-provided communications systems, the point of demarcation shall be defined as the Telephone Company facility that provides interconnection. The Telephone Company shall not be held liable for Customer-provided access media or equipment. Any maintenance service or equipment arrangements shall be addressed on an individual case basis.

The Telephone Company will not be responsible if any changes in its service cause hardware or software not provided by the Telephone Company to become obsolete, require modification or alternation, or otherwise affect the performance of such hardware or software.

The Company shall use reasonable efforts to make services available by the estimated service date. The Company shall not be liable for any damages whatsoever resulting from delays in meeting the estimated service date due to delays resulting from normal installation procedures. Such delays shall include, but not be limited to delays in obtaining necessary regulatory approvals for construction, delays in obtaining right-of-way approvals, delays in actual construction work being done by our vendor(s), and any delays due to any LEC where the Company is relying solely upon such LEC to meet such estimated due date which is beyond the Company's control.

With respect to the services, materials and equipment provided hereunder, the Telephone Company makes no promises, agreements, understandings, representations or warranties, expressed or implied, and hereby expressly disclaims all warranties, expressed or implied, not stated in this Tariff, and in particular disclaims all warranties of merchantability and fitness for a particular purpose.

2.3 Responsibilities of The Customer

The Customer may not, nor may the Customer permit others to, rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Telephone Company, except upon the written consent of the Telephone Company. The equipment the Telephone Company provides or installs at the Customer premises for use in connection with the service the Telephone Company offers shall not be used for any purpose other than for which it was provided.

The Customer shall ensure that the equipment and/or system is properly interfaced with the Telephone Company's facilities or service. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, the Telephone Company will permit such equipment to be connected with its channels without the use of protective interface devices.

The Customer shall be responsible for securing its telephone equipment against being used to place fraudulent calls using the Telephone Company's service. The Customer shall be responsible for payment of all applicable charges for services provided by the Telephone Company and charged to the Customer's accounts, even where those calls are originated by fraudulent means either from Customer's premises or from remote locations.

The Telephone Company shall be indemnified and held harmless by the Customer against claims of liable, slander, or the infringement of copyright, or for the unauthorized use of any trademark, trade name, or service mark, arising from the material transmitted over the Telephone Company's service, against claims for infringement of patents arising from, combining with, or using in connection with, service, the Telephone Company's apparatus and systems of the Customer; against all other claims arising out of any act or omission of the member in connection with the Telephone Company's service. The Customer shall be liable for:

(a) Loss due to theft, fire, flood, or other destruction of the Telephone Company's equipment or facilities on Customer's premises.

(b) Reimbursing the Telephone Company for damages to facilities or equipment caused by the negligence or willful acts of the Customer's officers, employees, agents or contractors.

Charges incurred with interconnect or local operating companies for service or service calls made to the Customer's premises or on the Customer's leased or owned telephonic equipment unless the Telephone Company specifically authorizes said visit or repairs in advance of the occurrence and the Telephone Company agrees in advance to accept the liability for said repairs or visit.

Payment for all the Telephone Company service charges incurred through usage or direct action on the part of the Customer.

The Customer may be required to verify in writing that it is duly authorized to order service at all locations designated by the Customer for service, and assumes financial responsibility for all locations designated by the Customer to receive the Telephone Company's services. If the verification (i.e., a letter of authorization) cannot be produced within five (5) calendar days of the request, the presubscription of the Customer's locations are considered unauthorized.

The Customer shall not use the Telephone Company name, logo or trademark in any promotional materials, contracts, Tariffs, service bills, etc., without expressed written authorization from the Telephone Company. The Customer shall not use the Telephone Company name, logo or trademark in any pre-sale activities. The Customer is prohibited from using the Telephone Company's name or trademark on any of the Customer's products or services.

Customer may not assign or transfer any of its rights or services ordered without the prior written consent of the Telephone Company. The Telephone Company may assign any service orders to its parent company or any affiliate. The Telephone Company will notify Customers of any such assignment.

2.4. Payment of Charges

The Customer is responsible for the payment of all charges for facilities and services furnished by the Telephone Company to the Customer, and to all Users authorized by the Customer, regardless of whether those services are used by the Customer itself or shared with other persons.

For billing of monthly charges, service is considered to be established upon the confirmation of third party verification processes.

Usage charges will be billed monthly in arrears. Customer will be billed for all usage accrued beginning immediately upon access to the service. Customers will be billed for usage occurring during their specific 30-day billing cycle, which for purposes of computing charges shall be considered a month. The rates charged to a Customer will be the rates in effect on the first day of the Customer's billing cycle.

Monthly charges for all access service components, provided hereunder, are billed in advance of service and reflect the rates in effect as of the date of the invoice. A Customer's first invoice may contain charges from previous periods for service provided from the date of installation through the current invoice period.

Bills are due and payable as specified on the bill. Bills may be paid by mail or in person at the business office of the Telephone Company or an agency authorized to receive such payment. (The Telephone Company will provide a copy of the original/official bill, upon the request of the Customer, in Braille or no less than twenty-four (24) point bold-faced type print or both). All charges for service are payable only in United States currency. Payment may be made by cash, check, money order, cashier's check, or certain major credit cards. Customers shall have twenty-one (21) days from the date of the bill to pay the charges stated before charges are considered delinquent.

If any portion of the payment is not received by the Telephone Company, or if any portion of the payment is received by the Telephone Company in funds that are not immediately available, within thirty (30) days after the date of rendition, then a late payment penalty may be assessed. The penalty for late payments shall be a 1.5% charge on the amount of the bill past due.

Any disputed charge may be brought to the Telephone Company's attention by verbal or written notification. In the case of a billing dispute between the Customer and the Telephone Company that cannot be settled to their mutual satisfaction, the undisputed portion and subsequent bills must be paid on a timely basis, or the service may be subject to disconnection.

The Customer may request an in-depth investigation into the disputed amount and a review by a manager of the Telephone Company. During the period that the disputed amount is under investigation, the Telephone Company shall not pursue any collection procedures or assess late fees with regard to the disputed amount. The Customer shall be required to pay the undisputed part of the bill, and if not paid, the Telephone Company may discontinue service. In the event the dispute is not resolved, the Telephone Company shall inform the customer that the customer has the option to pursue the matter with the Public Utility Commission.

The Customer is responsible to pay the Telephone Company for all toll calls or other third party charges resulting from the origination of calls to points outside the local exchange and for charges or calls billed to the Customer's number.

The Telephone Company may assess up to a twenty dollar ($20) charge for each returned check or credit card chargeback.

If service is suspended/disconnected by the Telephone Company in accordance with the provisions of the Tariff and later restored, restoration of service will be subject to all applicable reconnection charges.

When circumstances prevent customers from paying their invoices in full, the Telephone Company may make special accommodations to assist customers by setting up a regular payment plan. Payment plans are only set up at the request of the customer. Payment plans are intended to function as a short-term solution and will be reviewed and approved on an individual case basis.

2.5. Disconnection of Service by Customer

By giving notice, Customer may disconnect service at any time following its minimum service requirement(s). The reoccurring monthly service charge, plus associated taxes, shall be pro-rated for the actual number of days in which service has been provided, with non-used portion being refunded to the Customer.

2.6. Cancellation for Cause

The Telephone Company may discontinue service or cancel an application for service, pursuant to applicable Commission rules, without incurring any liability for any of the following reasons:

(a) Nonpayment of a delinquent bill for non-disputed regulated telecommunications services within a period;
(b) Violation of or noncompliance with any provision of law, or of the tariffs or terms and conditions of service of the Telephone Company filed with and approved by the Commission;
(c) Refusal to permit the Telephone Company reasonable access to its telecommunications facilities for recovery, maintenance, and inspection thereof;
(d) Interconnection of a device, line, or channel to the Telephone Company's facilities or equipment contrary to the Telephone Company's terms and conditions of service on file with and approved by the Commission;
(e) Use of telephone service in such manner as to interfere with reasonable service to other end users.

Service may be discontinued during normal business hours on or after the date specified in the notice of discontinuance. Service shall not be discontinued on a day when the offices of the Telephone Company are not available to facilitate reconnection of service or on a day immediately preceding such a day.

At least twenty-four (24) hours preceding a suspension, the Telephone Company shall make reasonable efforts to contact the Customer to advise him of the proposed discontinuance and what steps must be taken to avoid it.

Service shall not be disconnected unless written notice shall be sent or delivered to the Customer at least ten (10) days prior to the date of the proposed discontinuance.

2.7. Notice and Communication

All notices and other communications required to be given pursuant to this Tariff shall be made in writing to Charter Fiberlink-Missouri, LLC, Attention: Legal Department- Director Legal and Regulatory Affairs, 12405 Powerscourt Drive, St. Louis, Missouri 63131-3674. Notices and other communications of either party, and all bills mailed by the Telephone Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

The Telephone Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

2.8. Taxes, Surcharges and Utility Fees

Customer is responsible for the payment of all federal, state and local taxes, surcharges, utility fees, or other similar fees (i.e., gross receipts tax, sales tax, municipal utilities tax, 911 surcharge or fees, universal service contributions) that may be levied by a governing body or bodies in conjunction with or as result of the service furnished under this Tariff. These charges will appear as separate line items on the Customer's bill for service, an additional charge equal to the pro rata share of any occupation, franchise, business, license, excise privilege or other similar charge or tax, now or hereafter imposed upon the gross receipts or revenue of the Telephone Company by any municipal taxing body or municipal authority whether by statute, ordinance, law or otherwise, and whether presently due or to hereafter become due.

2.9. Customer Billing Inquiries

Any customer who has a question regarding his/her telephone bill may contact Charter Telephone toll free at 1-866-207-3663. All surcharges or fees subject to MO PSC jurisdiction, other than taxes and jurisdictional surcharges, will be submitted to the MO PSC for prior approval.

Filing a complaint with the Missouri Public Service Commission:

1. Any customer of Telephone Company who feels aggrieved by a violation of any of the application of rules in this Local Exchange Tariff or of the Public Service Commission laws of Missouri relating to telecommunications companies, may file an informal or formal complaint under **4 CSR 240-2.070**.

2. If the Telephone Company and its customer fail to resolve a matter in dispute, the Telephone Company shall advise the customer of his/her right to file an informal or formal complaint with the Commission under **4 CSR 240-2.070**.

3. Pending the resolution of a complaint filed with the Commission, the subject matter of such complaint shall not constitute a basis for discontinuance of service.

Missouri Public Service Commission
200 Madison Street, Suite 100
PO Box 360
Jefferson, Missouri 63131-3674

Toll free number: 1-800-392-4211

3.1. Description of Services

The Telephone Company provides intrastate interexchange services, including direct dialed message telecommunications services to residential customers who subscribe to the Telephone Company's Local Exchange Telecommunications Service, as described in P.S.C. MO – No. 1. Service under this Tariff No. 4 is available only to customers who subscribe to the Telephone Company's local exchange service. The services offered under this Tariff No. 4 are only available on an interstate and intrastate bundled basis. Customers may not choose separate in state and out of state toll providers. Calls are rated based on the duration of the call and are billed in sixty (60) second increments.

3.1.2 Charges Based on Duration of Use

Calls are measured in duration increments of sixty (60) seconds. All calls which are fractions of a measurement increment are rounded up to the next whole unit.

Timing on completed calls begins when the call is answered by the called party. Answering is determined by hardware answer supervision in all cases where signaling is provided by the terminating local carrier and any intermediate carrier(s).

Timing terminates on all calls when the calling party hangs up or the Telephone Company's network receives an on-hook signal from the terminating carrier.

Calls originating in one time period and terminating in another will be billed in proportion to the rates in effect during different segments of the call.

All times refer to local times.

Rates are not distance sensitive. As such, unless otherwise indicated, mileage bands are not applicable to the services offered.

Unless otherwise indicated, rates do not vary depending upon day or the time of day (Day, Evening, and Night/Weekend).

3.2 Product Description

3.2.1 Switched Outbound (1+)

Service provides the Telephone Company's customers with the ability to originate calls from a Telephone Company-provided access line to all other stations on the public switched telephone network bearing the designation of any central office exchanges outside the Customer's local calling area. This service is available on a switched basis only.

This service available to Local Telecommunications Services customers of the Telephone Company pursuant to the terms and conditions of the Telephone Company's P.S.C. MO - No. 1 Tariff.

4.1 Rates and Charges

The following rates and charges are applicable to Residential Customers:

4.1.1 Switched Outbound (1+)

For all customers who choose the Telephone Company as their intraLATA toll and InterLATA long distance provider.

Charter Basic Long Distance

Rate per Minute $0.07 interstate
Rate per Minute $0.10 Intrastate

- No peak or off-peak rates
- Interstate includes Continental US and Canada
- Intrastate includes IntraLATA/local toll and InterLATA calls

Charter Basic Long Distance Package

MRC Per Line $2.50 **(R)**

Rate per Minute $0.05 Interstate
Rate per Minute $0.07 Intrastate **(R)**

- No peak or off-peak rates
- Interstate includes Continental US and Canada
- Intrastate includes IntraLATA/local toll and InterLATA calls

NOTE: The per minute of use rates apply to 1+ calls only (i.e.: direct dialed) and not 0+. The MRC of $2.50 is applied to each customer line and not per account. Also, this charge will be pro-Rated for the first month and will be billed in advance. **(R)**

Long Distance Package – 300 Minutes $29.95 (includes basic service & MCA 3) **(R)**
$34.95 (includes basic service & MCA-4 & 5) **(R)**

Package Includes: Anonymous Call Rejection, Call Waiting, Caller ID, Caller ID with Call Waiting, Speed Dial 8 and 300 minutes of long distance.

Additional minutes above 300 will be charged at $0.07/minute. First line includes the above listed (5) features and 300 long distance (interstate and intrastate only) minutes. Additional lines include basic service only. Feature packages and *ala carte* features may be purchased for additional lines. Long distance service on additional lines may be purchased at *ala carte* rates. The per minute of use rates apply to 1+ calls only (i.e.: direct dialed) and not 0+.

NOTE: Customer must have Charter Local Telephone Service to have Charter Long Distance Service. No substitutions for the included features will be allowed. These rates include Intrastate and intrastate calls only and do not include international calls which vary based on country called.

Long Distance Page – 300 Minutes $24.95 (includes basic service)
***Without* MCA**

Package Includes: Anonymous Call rejection, Call Waiting, Caller ID, Caller ID with Call Waiting, Speed Dial 8 and 300 minutes of long distance.

Additional minutes above 300 will be charged a $0.07/minute. First line includes the above Listed (5) features and 300 long distance (Interstate and intrastate only) minutes. Additional lines Include basic service only. Feature packages and ala carte features may be purchased for additional Lines. Long Distance service on additional lines may be purchased at *ala carte* rates. The per minutes of use rates apply to 1+ calls only (i.e.: direct dialed) and not 0+. This offer is not available in MCA 3, 4, or 5.

NOTE: Customer must have Charter Local Telephone Service to have Charter Long Distance service. No substitutions for the included features will be allowed. These rates include interstate and intrastate calls only and do not include international calls which vary based on country called.

Long Distance Package – 500 Minutes **(D)**

Long Distance Package – 500 Minutes
***Without* MCA** **(D)**

NOTE: The Telephone Company is discontinuing the Long Distance Package(s) – 500 Minutes as of August 19, 2004. Effective August 19, 2004, existing subscribers of the Long Distance Package(s) - 500 Minutes will be migrated to the Long Distance Package – Unlimited Minutes for added value at a lower monthly rate of $39.95. **(N)** **(N)**

Additional minutes above 500 will be charged at $0.07 minute. First line includes the above listed (5) features and 500 long distance (interstate and intrastate only) minutes. Additional lines include basic service only. Feature packages and *ala carte* features may be purchased for additional lines. Long distance service on additional lines may be purchased at *ala carte* rates. The per minute of use rates apply to 1+ calls only (i.e.: direct dialed) and not 0+. This offer is not available in MCA -3, 4 or 5.

NOTE: Customer must have Charter Local Telephone Service to have Charter Long Distance service. No substitutions for the included features will be allowed. These rates include interstate and intrastate calls only and do not include international calls which vary based on country called.

Long Distance Package – Unlimited Minutes $39.95 (includes basic service & MCA) (R)

Package Includes: Anonymous Call Rejection, Call Waiting Caller ID, Caller ID with Call Waiting, Speed Dial 8 and unlimited long distance calling.

Unlimited minutes for interstate and intrastate calls. First line includes the above listed (5) features and unlimited long distance (interstate and intrastate only) calling. Additional lines include basic service only. Feature packages and *ala carte* features may be purchased for additional lines. Long distance service on additional lines may be purchased at *ala carte* rates. The per minute of use rates apply to 1+ calls only (i.e.: direct dialed) and not 0+.

NOTE: Customer must have Charter Local Telephone Service to have Charter Long Distance service. No substitutions for the included features will be allowed. These rates include interstate and intrastate calls only and do not include international calls which vary based on country called. The Telephone (T)
Company reserves the right to review usage and discontinue service if Customer is utilizing service for (T)
non-residential purposes or exceeding normal usage. (T)

HSD/Long Distance Package – 500 Minutes $89.94 (includes basic service & MCA)

Package Includes: Anonymous Call Rejection, Call Waiting, Caller ID, Caller ID with Call Waiting, Speed Dial 8, 500 minutes of long distance and 2Meg HSD.

Additional minutes above 500 will be charged at $0.07/minute. First line includes the above listed (5) features and 500 long distance (interstate and intrastate calls only) minutes. Additional lines include basic service only. Feature packages and *ala carte* features may be purchased for additional lines. Long distance service on additional lines may be purchased at *ala carte* rates.

NOTE: Customer must have Charter Local Telephone Service to have Charter Long Distance service. No substitutions for the included features will be allowed. These rates include interstate and intrastate calls only and do not include international calls which vary based on country called. The per minute of use rates apply to 1+ calls only (i.e.: direct dialed) and not 0+.

HSD/Long Distance Package – 500 Minutes *without* MCA	$82.94 (includes basic service)	(N)
Package Includes:	Anonymous Call Rejection, Call Waiting, Caller ID, Caller ID with Call Waiting, Speed Dial 8, 500 minutes of long distance and 2Meg HSD.	

Additional minutes above 500 will be charged at $0.07/minute. First line includes the above listed (5) features and 500 long distance (interstate and intrastate calls only) minutes. Additional lines include basic service only. Feature packages and *ala carte* features may be purchased for additional lines. Long distance service on additional lines may be purchased at *ala carte* rates. This offer is not available in MCA-3, 4 or 5.

NOTE: Customer must have Charter Local Telephone Service to have Charter Long Distance service. No substitutions for the included features will be allowed. These rates include interstate and intrastate calls only and do not include international calls which vary based on country called. The per minute of use rates apply to 1+ calls only (i.e.: direct dialed) and not 0+.

Note – Purchase of packaged services constitutes a single service. Non-payment of any portion of the package rate constitutes non-payment for the ordered service and subjects customer to disconnection of service (all parts of the package including basic telephone service). Pro-rating of payments between services will not be made by Charter. All disconnection of service will be made pursuant to Missouri Public Service Commission Rules. (M)

5.1 Promotions

The Telephone Company may offer promotions for thirty (30) days or longer in the Telephone Company's exchanges subject to the availability of facilities. Promotions shall be offered to all similarly situated residence Customers who subscribe to additional lines.

The Telephone Company will provide written notice to the Commission no less than seven (7) days prior to the beginning of each promotion period identifying the exchanges, LATAs, or Numbering Plan Areas (NPA) in which the promotions will be offered, the beginning and ending date of the promotion, and the specific type of waiver or credit. The written notice will be filed in an appendix in P.S.C. Mo. No.4, Interexchange Tariff of the Telephone Company.

The Telephone Company will not offer a promotion where the projected revenues are not expected to cover long run incremental costs.

The Telephone Company will offer all promotions in a non-discriminatory manner.

5.1.1 Long Distance Package Unlimited Minutes

(D)

(D)

5.1.2 Long Distance Package(s) – Promotion

The Telephone Company will offer the first month at no charge for the following services beginning on August 26, 2004 and ending on January 31, 2005. (T)

-Long Distance Package – Unlimited Minutes
-Long Distance Package – 300 Minutes *Without MCA*
-Long Distance Package – 300 Minutes

This offer applies only to a single primary line and excludes all additional lines. This promotion applies to all hosted and ported telephone numbers. This promotion will be available to new customers who have not had service with the Telephone Company in the previous six months.

This promotion will be available in all exchange areas where the Telephone Company provides service under this P.S.C. MO-No. 4 tariff and pursuant to the general terms therein.

4th Revised Title Page
Replaces 3rd Revised Title Page

Charter Fiberlink – Missouri, LLC

Local Exchange Tariff

P.S.C. Mo. – No. 1

Tariff for the provision of **residential local exchange service** in the following Southwestern Bell and CenturyTel incumbent exchanges of:

- St. Charles (Southwestern Bell)
- Harvester (Southwestern Bell)
- Chesterfield (Southwestern Bell)
- Pond (Southwestern Bell)
- Manchester (Southwestern Bell)
- Eureka (Southwestern Bell)
- Valley Park (Southwestern Bell)
- Fenton (Southwestern Bell)
- Pacific (Southwestern Bell)
- High Ridge (Southwestern Bell)
- Sappington (Southwestern Bell)
- Webster Groves (Southwestern Bell)
- Kirkwood (Southwestern Bell)
- Mehlville (Southwestern Bell)

(D)
(D)

- St. Louis (Southwestern Bell) (N)
- Ladue (Southwestern Bell) (N)
- Creve Coeur (Southwestern Bell) (N)
- St. Peters (CenturyTel) (M)
- Dardenne (CenturyTel) (M)
- O'Fallon (CenturyTel) (M)
- Wentzville (CenturyTel) (M)

Issued By: Carrie L. Cox, Director Legal and Regulatory Affairs
12405 Powerscourt Drive, St. Louis, MO 63131
Charter Fiberlink – Missouri, LLC

Issue Date: May 19, 2004 Effective Date: June 21, 2004

Table of Contents

LOCAL EXCHANGE TARIFF

1.1. *Application of Tariff*

This Local Exchange Tariff contains regulations, rates and charges applicable to the provision of residential Local Exchange Service ("Service(s)"), provided by Charter Fiberlink – Missouri, a competitive facilities-based provider of residential telephony services ("Telephone Company"), to residential Customers in the rate centers of St. Charles, St. Peters, Dardenne, Harvester and O'Fallon.

End users may purchase Services from the Local Exchange Tariff only to the extent explicitly set forth herein. The Services will not be provided to an end user's location in such a manner that avoids this end user restriction. Local Exchange Services may not be resold.

The regulations, rates and charges contained herein are in addition to the applicable regulations, rates and charges specified in other Tariffs of the Telephone Company as referenced herein.

1.2. *Listing of Waivers*

During the Certification process, Charter Fiberlink – Missouri, LLC, requested and received waivers of certain MO PSC statutes and Commission rules for the provision of local basic telecommunications services:

Statutes

392.210.2	Uniform system of accounts
392.240.1	Rates – rentals – service & physical connections
392.270	Valuation of property (ratemaking)
392.280	Depreciation accounts
392.290	Issuance of securities
392.300.2	Acquisition of stock
392.310	Stock and debt issuance
392.320	Stock dividend payment
392.330	Issuance of securities, debts and notes
393-340	Reorganization (s)

Commission Rules

4 CSR 240.10.020	Depreciation fund income
4 CSR 240-30.010(2) (C)	Posting of Tariffs
4 CSR 240-30.040	Uniform system of accounts
4 CSR 240-32.030(4) (C)	Exchange boundary maps
4 CSR 240-33.030	Minimum charges
4 CSR 240.35	Reporting of bypass and customer specific arrangements

1.3. Explanation of Symbols/Tariff Format

The following symbols are used herein to identify schedule and text changes:

(D) Discontinued Rate, Treatment or Regulation
(I) Increased Rate, New Treatment (Increase)
(M) Move of Text - No Rate Change
(N) New Rate, Treatment or Regulation
(R) Reduced Rate, Treatment or Regulation
(T) Change in Text - No Rate Change
(Z) Correction of Text – No Rate Change (T)

The *initial* issuance of the Local Exchange Tariff will be designated as "Original Page XX" in the header of each page. Thereafter, any revisions filed to the Local Exchange Tariff will be designated using the above symbols to indicate the area of text being changed and the page will be revised to reflect "Xth Revised Page XX".

1.4. *Definitions and Terms*

Glossary of Definitions and Terms:

Additional Listing - Any listing of a name or other authorized information in connection with a customer's telephone number in addition to the complimentary listing as identified in the Local Exchange Tariff.

Application - A request made orally or in writing for telephone service.

Authorized Account User – The person or persons authorized to make changes to a customer account including changes to toll carriers as designated by the account holder. Authorized Account Users shall be limited to two persons for any single postal address.

Automated Message Accounting (AMA) - the data recorded at the switch and used to calculate the amount billed to the end user for MCA, local exchange, intraLATA toll and InterLATA toll charges and used to calculate the amount billed to the Interexchange Carrier to bill the access carrier for access charges due to the Telephone Company for use of its network.

Central Office - A switching unit in a telephone system which provides service to the general public, having the necessary equipment and operating arrangements for the terminating and interconnecting customer lines and trunks or trunks only. There may be more than one central office in a building or exchange.

Central Office Line - A circuit directly connecting an individual with a central office.

Connecting Company - A corporation, association, partnership or individual owning or operating one or more exchanges and with which communications services are interchanged.

Connector - See "Switch".

Connection Charge - See "Service Charge".

Construction Charge - A separate nonrecurring charge made for the construction of facilities in excess of those contemplated under the rates quoted in the Local Exchange Tariffs.

Continuous Property - The plot of ground, together with any building thereon, occupied by the customer, which is not divided by public highways or separated by property occupied by others.

Contract - The agreement between a customer and the Telephone Company under which service and facilities are furnished in accordance with the applicable provisions of the Local Exchange Tariffs.

Cost - The cost of labor and materials, which includes appropriate amounts to cover the Telephone Company's general operating and administrative expenses.

Customer - The individual, partnership, association or corporation which contract for telephone service and are responsible for the payment of charges and compliance with the general regulations of the Telephone Company.

CPE - Customer Provided Equipment - Devices, apparatus, and/or associated wiring provided by a customer.

Customer Provision - Customer purchase or lease of customer-provided equipment from the Telephone Company or from any other supplier.

Data Access Arrangement - A protective connecting arrangement for use with the network control signaling unit, or in lieu of the connecting arrangement, an arrangement to identify a central office line and protective facilities and procedures to assure proper operation and protection of the telecommunications network.

Demarcation Point - That point (referred to as Demarc Point or Network Interface) of interconnection between the Telephone Company's facilities and the wiring at the subscriber's premises. The Demarc Point shall consist of wire or a jack conforming to Subpart F of Part 68 of the Federal Communications Commission's Rules and Regulations. The Demarc Point will generally be within twelve inches of the protector or, absent a protector, within twelve inches of the entry point to the customer's premises. If conforming to the twelve inches is unrealistic or technically impossible, the Demarc Point will be the most practicable minimum point of entry to the customer's premises. The network interface may be located at a point other than the normal demarcation point where the network interface has been previously established by the presence of network equipment. With regard to premises for any structure that is built to be mobile (e.g., mobile homes, recreational vehicles), the Telephone Company may place the Demarc Point on a post or pole at or near the pad where such structure is intended to rest. Boat docks, marinas and similar premises may be treated by the Telephone Company as a single unit premises, with the Demarc Point being placed on the shore or other location as deemed appropriate by the Telephone Company.

Exchange Station - A station connected with a central office of the Telephone Company over its own lines.

Extra Listing - See "Additional Listing".

Harm - Harm consists of hazards to personnel, damage to Telephone Company equipment, and impairment of service to persons other than the user of the customer-provided equipment. Types of harm include, but shall not be limited to, voltages dangerous to personnel, destruction of or damage to equipment, induced noise or cross talk, incorrect dial pulsing, failure of supervision, false answer, incorrect billing, absence of voice band transmission path for call progress signals, and loss of capability to answer an incoming call.

Individual Line - An exchange line designed for the connection of a telephone set.

Initial Service Period - The minimum length of time for which a customer is obligated to pay for service, facilities and equipment whether or not retained by the customer for such minimum length of time.

Installation Charge - A nonrecurring charge made at the time of installation of communications service or equipment, which applies in addition to service charges and other applicable charges for service or equipment unless specifically excepted.

Intercommunicating System - An arrangement involving two or more stations that enables a user to signal and connect with other stations in the system.

Interconnection - The method by which telecommunications facilities of the Telephone Company are arranged to transmit to, or receive information from, customer-provided equipment.

Local Calling Scope (LCS) - A combined Area in which interexchange telephone service is furnished at a flat rate between two or more exchange areas. See MCA.

Local Exchange Service - Telephone communications within a local service area in accordance with the provisions of the Telephone Company's Local Exchange Tariffs.

Local Message - A completed communication between customers' stations located within the same exchange area or local service area.

Local Calling Service Area - The area throughout which communication service is rendered to a customer or users without the application of toll charges.

Main Terminal - The termination of a central office line on a customer's premises, usually at a protector.

Message - A completed customer call.

MCA – Metropolitan Calling Area, an extended local calling area plan that allows free local calling outside of the exchange area as defined by the Missouri PSC. MCA subscribers include all customers of incumbent local exchange carriers and competitive local exchange carriers being served by dedicated NXX codes, identified as MCA NXX codes, pursuant to the Missouri Public Service Commission's Report and Order in Case No. TO-99-483.

Premises - The buildings, portion or portions of a building on continuous property used and/or occupied at one time by the customer as a residence. Where floor space in adjoining buildings is made continuous at one or more floor levels, all floor space in both buildings is considered as the same premises insofar as the customer who uses and occupies such continuous floor space is concerned, the two buildings otherwise being considered as separate buildings.

Registered Terminal Equipment - Equipment registered in accordance with FCC regulations that may be connected to access services of the Telephone Company.

Residence Service - Telephone service furnished to customers when the actual or obvious use is for domestic purposes.

Service Charge - The nonrecurring charge a customer is required to pay for establishing telephone service or subsequent modification of that service.

Slamming - is the unauthorized change of a subscriber's local exchange, intraLATA or InterLATA telecommunications carrier.

Station - Specific identifying number associated with a location on a communications system.

Supplemental Facilities or Services - Services or facilities other than primary service.

Switch - A unit of dial switching equipment that provides interconnection between station lines or trunks.

Tariff - The schedule of Local Exchange rates and charges, rules and regulations adopted and filed by the Telephone Company and approved by the Missouri Public Service Commission.

Telecommunications Service Priority (TSP) System - The TSP System is a service that provides for the priority provisioning and/or restoration of National Security Emergency Preparedness (NSEP) telecommunications services. NSEP telecommunications services are defined by the Federal Communications Commission (FCC) as those services which are used to maintain a state of readiness or to respond to and manage any event or crisis (local, national or international), which causes or could cause injury or harm to the population, damage to or loss of property, or degrades or threatens the NSEP posture of the United States. The TSP System applies only to NSEP services and provides the Telephone Company with a guide to the sequence in which services are to be provisioned and/or restored. Regulations, rates and charges for TSP System Service are set forth in the Telephone Company's Tariff Facilities for Intrastate Access.

Telephone Company – Charter Fiberlink – Missouri, LLC.

Telephone Set - A telephone instrument consisting of a transmitter, receiver, and associated apparatus connected to permit transmission and receipt of telephone messages.

Terminal Equipment - Equipment at the terminal of a communication circuit.

Terminal Equipment Accessories - Devices, apparatus and their associated wiring, provided by a customer, which do not constitute a communications system and which when connected to the telecommunications system of the Telephone Company, are connected electrically, acoustically or inductively.

Termination Charge - A charge applied under certain conditions when service is terminated by the customer before the expiration of the minimum commitment period.

Underground Service Connection - A customer's "drop" wire that is run underground from a pole line or an underground distributing cable.

1.5. *Obligation and Liability of the Telephone Company*

1.5.1 Availability of Facilities and Equipment

The Telephone Company's obligation to furnish Services is dependent upon its ability to secure and retain, without unreasonable expense, suitable facilities and rights for the construction and maintenance of the necessary pole lines, circuits, and equipment

The installation and restoration of Services shall be subject to the regulations set forth in this Local Exchange Tariff

1.5.2 Interruptions of Service

In the event of an interruption to the service not due to the negligence or willful act of the customer or customer premises equipment, an allowance will be made if the interruption continues for more than twenty-four (24) hours from the time it is reported to or detected by the Telephone Company

The allowance will be limited to the prorated portion of the monthly rate or guarantee for the service or portion thereof made inoperative No other liability shall in any case attach to the Telephone Company in consideration of such interruptions

1.5.3 Liability

In view of the possibility of errors and difficulties occurring in the transmission of messages by telephone, and the impossibility of fixing the cause thereof, the customer assumes all risks connected with the service except as follows

If the initial installation is defective or if service is interrupted for more than twenty-four (24) hours otherwise than by the negligence or willful act of the customer or due to customer premises equipment, an allowance limited to the prorated portion of the monthly rate or guarantee for the service or portion thereof interrupted, shall be made after notice and demand to the Telephone Company No allowance shall be made for interruptions due to the inside wiring or customer provided equipment

The advertised speeds of the customer's modem may not be attainable with this service and are not guaranteed by the Telephone Company The Telephone Company will assure, however, that it's local exchange access lines meet the standards outlined in **4 CSR 240-32 060,** Engineering and Maintenance

1.5.4 Directory Errors and Omissions

The Telephone Company's liability for damages due to errors or omissions in directory listings will be limited to a credit of the Customer's basic monthly service charge for the period from the date of notice of the error to the Telephone Company to the date of issuance of a new directory containing the proper listing

In the case of extra listings in the alphabetical section of the directory for which a charge is made, the Telephone Company's liability shall be limited to an amount not to exceed the established rate for such listing during the period which the error or omission continues (M)

The customer indemnifies and holds the Telephone Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly, by the publication of the listing which the customer has requested be omitted from the telephone directory or the disclosing of such a listing to any person. Where such a listing is published in the telephone directory, the Telephone Company's liability shall be limited to a refund of any monthly charges assessed by the Telephone Company for the basic monthly service charge for the affected service.

1.5.5 Transmitting Messages

The Telephone Company does not transmit messages but offers the use of its facilities for communications between patrons. If because of transmission difficulties the operator, in order to accommodate the customer, repeats messages, the operator is deemed to be acting as the agent of the persons involved and no liability shall attach to the Telephone Company because of any errors made by the operator or misunderstandings that may arise between customers because of such errors.

1.5.6 Use of Connecting Telephone Company Lines

When suitable arrangements can be made, lines of other telephone companies may be used in establishing wire connections to points not reached by this Telephone Company's lines. In establishing connections with the lines of other companies, the Telephone Company is not responsible or liable for any action of the Connecting Company. Connection of the Telephone Company's lines to the lines of another telephone company shall be at the sole discretion of the Telephone Company.

1.5.7 Defacement of Premises

The Telephone Company shall exercise due care in connection with all work done on customer's premises. No liability shall attach to the Telephone Company by reason of any defacement or damage to the customer's premises resulting from the existence of the Telephone Company's facilities and associated wiring on such premises, or by the installation or removal thereof, unless such defacement or damage is the direct result of the sole negligence of the Telephone Company. Customers sole remedy for such damage shall be repair of such damage.

1.5.8 Call Features

The Telephone Company shall not be liable for any loss or damages arising out of error, interruptions, defects, failure or malfunctions of Call Features associated with Telephone Company's Services. Damages arising out of such interruptions, defects, failures, or malfunctions of the services after the Telephone Company has been notified, and has had a reasonable time for repair, shall in no event exceed an amount equivalent to the charges made for the service affected for the period following notice from the customer until service is restored.

(M)

Caller ID (M)

This feature enables the Customer to view on a display unit the Calling Party Directory Name and/or Number (CPN) on incoming telephone calls by means of a caller identification display unit When Caller ID is activated on a Customer's line, the CPN of incoming calls are displayed at the called CPE during the first, long silent interval of the ringing cycle

Per line blocking for blocking of CPN will be available upon request, at no charge, <u>**ONLY**</u> to the following entities for lines over which the official business of the agency is conducted, including those at the residences of employees/volunteers, where an executive officer of the agency registers a need for blocking and provides the required certification to Applicant

a) Private, nonprofit, tax exempt, domestic violence intervention agencies,
b) Federal, state, and local law enforcement agencies

The CPN will not be transmitted from a line equipped with this capability Per line blocking is operational on a continuous basis but can be deactivated by the Customer by dialing an access code immediately prior to placing a call A Customer utilizing Per line blocking can unblock their CPN information on a per call basis, at no charge, by dialing an access code (*82 on their touch tone pad) immediately prior to placing a call

A Customer may prevent the delivery of their calling name and/or number on a per call basis to the called party by dialing an access code (*67 on their touch tone pad) immediately prior to placing a call The access code will activate per call blocking, which is available at no charge If the calling party activates per call blocking, the CPN will not be transmitted to a called party Instead, the called party will receive an anonymous indicator This anonymous indicator notifies the called party that the calling party has elected to block the delivery of their name and telephone number The blocking of CPN will not be provided on calls originating from Customer Owned Pay Telephones If the called party subscribes to Anonymous Call Rejection, the calling party will be routed to a Telephone Company recording advising the caller that the called party will not accept calls whose CPN has been blocked

Any Customer subscribing to Caller ID will be responsible for the provision of a display device which will be located on the Customer's premises The installation, repair, and technical capability of Caller ID equipment to function in conjunction with the feature specified herein will be the responsibility of the Customer Telephone Company assumes no liability and Customer agrees to hold Telephone Company harmless for any incompatibility of this equipment to perform satisfactorily with the network features described herein

Telephone CPN information transmitted via Caller ID is intended solely for the use of the Caller ID subscriber Resale of this information is prohibited by this Local Exchange Tariff CPN will not be displayed if the called party is off-hook or if the called party answers during the first ring interval CPN will be displayed for calls made from another central office only if it is linked by appropriate facilities Caller ID is not available on operator-handled calls

Call Trace

This feature allows the Customer to dial a special code initializing a Call Trace (identifying callers making calls) If a Call Trace is successful, the Telephone Company's equipment will record the incoming call detail (not the conversation) as follows

- The originating telephone number,
- The date and time of the call, and
- The date and time call trace was activated

The results of the trace will not be provided to the customer directly (M)

When Call Trace successfully identifies a calling number, a recording instructs the Customer to call a toll free number, which will activate a Voice Response Script and assist the customer in establishing an open file Should the Customer decided to prosecute the call originating party, the customer should contact Telephone Company for further instructions Activation of Call Trace never authorizes Telephone Company to provide the called party with the name or telephone number of the calling party

In the event that Call Trace is not available or is unsuccessful, it may be necessary to place a manual trap on the customer's telephone line

Other call features, not having specific regulatory requirements, are described in Section 1 8 4 of this Local Exchange Tariff

900/976 Call Block

Telephone Company blocks all 900 and 976 calls At this time, 900/976 unblocking is not available

1.6. Exchanges to Provide Service

(D)

Exchange	Local Exchange	Expanded Area Service	Zone	
SWB Area				
St. Charles	St. Charles	Harvester	MCA-3	
Harvester	Harvester	Chesterfield, Pond, St. Charles, St. Peters	MCA-4	
Chesterfield	Chesterfield	Manchester, Harvester, Pond plus the Creve Coeur zone of the St. Louis Metropolitan Exchange	MCA-3	
Pond	Pond	Chesterfield, Eureka, Harvester, Manchester, Pacific	MCA-4	
Manchester	Manchester	Chesterfield, Eureka, Pond, Valley Park plus the Creve Coeur and Kirkwood zones of the St. Louis Metropolitan Exchange	MCA-3	
Eureka	Eureka	High Ridge, Manchester, Pacific, Pond, Valley Park	MCA-4	
Valley Park	Valley Park	Fenton, Eureka, High Ridge, Manchester plus the Kirkwood zone of the St. Louis Metropolitan Exchange	MCA-3	
Fenton	Fenton	Maxville, Valley Park, High Ridge plus the Kirkwood and Sappington zones of the St. Louis Metropolitan Exchange	MCA-3	
Pacific	Pacific	Gray Summit, Eureka, Pond	MCA-5	
High Ridge	High Ridge	High Ridge-Local Only, Antonia, Cedar Hill, Eureka, Fenton, Maxville and Valley Park	MCA-3	(N)

Sappington	Sappington	All subscribers in the St. Louis Metropolitan Exchange, Fenton and Maxville; plus Optional Metropolitan Calling Area service subscribers in the Southwestern Bell's exchanges of Portage Des Sioux, St. Charles, Chesterfield, Manchester, Valley Park, Imperial, Harvester, Pond, Eureka, High Ridge, Antonia, Herculaneum-Pevely, Gray Summit, Pacific, Cedar Hill, Ware, Hillsboro, Festus-Crystal City and DeSoto; CenturyTel's exchanges of St. Peters, O'Fallon, Dardenne, Winfield, Troy, Old Monroe, Moscow Mills, Wentzville, Foristell, New Melle, Defiance and Augusta; and Orchard Farm Telephony Company's exchanges of Orchard Farm.	MCA-1	(N)
Webster Groves	Webster Groves	All subscribers in the St. Louis Metropolitan Exchange; plus Optional Metropolitan Calling Area service subscribers in the Southwestern Bell's exchanges of Portage Des Sioux, St. Charles, Chesterfield, Manchester, Valley Park, Fenton, Maxville, Imperial, Harvester, Pond, Eureka, High Ridge, Antonia, Herculaneum-Pevely, Gray Summit, Pacific, Cedar Hill, Ware, Hillsboro, Festus-Crystal City and DeSoto; CenturyTel's exchanges of St. Peters, O'Fallon, Dardenne, Winfield, Troy, Old Monroe, Moscow Mills, Wentzville, Foristell, New Melle, Defiance and Augusta; and Orchard Farm Telephony Company's exchanges of Orchard Farm.	MCA-1	
Kirkwood	Kirkwood	All subscribers in the St. Louis Metropolitan Exchange, Manchester, Fenton and Valley Park; plus Optional Metropolitan Calling Area service subscribers in Southwestern Bell's exchanges of Portage Des Sioux, St. Charles, Chesterfield, Maxville, Imperial,	MCA-2	

		Harvester, Pond, Eureka, High Ridge, Antonia, Herculaneum-Pevely, Gray Summit, Pacific, Cedar Hill, Ware, Hillsboro, Festus-Crystal City and DeSoto; CenturyTel's Exchanges of St. Peters, O'Fallon, Dardenne, Winfield, Troy, Old Monroe, Moscow Mills, Wentzville, Foristell, New Melle, Defiance and Augusta; And Orchard Farm Telephony Company's exchanges of Orchard Farm.	
Mehlville	Mehlville	All subscribers in the St. Louis Metropolitan Exchange And Maxville; plus Optional Metropolitan Calling Area service subscribers In Southwestern Bell's exchanges of Portage Des Sioux, St. Charles, Chesterfield, Manchester, Valley Park, Fenton, Imperial, Harvester, Pond, Eureka, High Ridge, Antonia, Herculaneum-Pevely, Gray Summit, Pacific, Cedar Hill, Ware, Hillsboro, Festus-Crystal City and DeSoto; CenturyTel's exchanges of St. Peters, O'Fallon, Dardenne, Winfield, Troy, Old Monroe, Moscow Mills, Wentzville, Foristell, New Melle, Defiance and Augusta; and Orchard Farm Telephony Company's Exchanges of Orchard Farm.	MCA-1

(D)

(D)

				(D)
St. Louis	St.Louis	All subscribers in the	Principal Zone	(N)
		St. Louis Metropolitan Exchange		(N)
		Plus Optional Metropolitan Calling		(N)
		Area service subscribers in		(N)
		Southwestern Bell's exchanges of		(N)
		Portage Des Sioux, St. Charles,		(N)
		Chesterfield, Manchester, Valley Park,		(N)
		Fenton, Maxville, Imperial, Harvester,		(N)
		Pond, Eureka, High Ridge, Antonia,		(N)
		Herculaneum-Pevely, Gray Summit,		(N)
		Pacific, Cedar Hill, Ware, Hillsboro,		(N)
		Festus-Crystal City and DeSoto;		(N)
		CenturyTel's exchanges of St. Peters,		(N)
		O'Fallon, Dardenne, Winfield, Troy,		(N)
		Old Monroe, Moscow Mills, Wentzville,		(N)
		Foristell, New Melle, Defiance and		(N)
		Augusta; and Orchard Farm Telephony		(N)
		Company's exchanges in East St. Louis		(N)
		and Granite City, Illinois who		(N)
		subscribe to Extended Local Area Service.		(N)
Ladue	Ladue, Overland,	All subscribers in the St. Louis	MCA-1	(N)
	Ferguson, River-	Metropolitan Exchange; plus		(N)
	View, Webster	Optional Metropolitan Calling		(N)
	Groves	Area service subscribers in		(N)
		Southwestern Bell's exchanges		(N)
		Of Portage Des Sioux, St. Charles		(N)
		Chesterfield, Manchester, Valley		(N)
		Park, Fenton, Maxville, Imperial,		(N)
		Pond, Eureka, High Ridge, Antonia,		(N)
		Herculaneum-Pevely, Gray Summit,		(N)
		Pacific, Cedar Hill, Ware, Hillsboro,		(N)
		Festus-Crystal City and DeSoto;		(N)
		Verizon Midwest's exchanges of		(N)
		St. Peters, O'Fallon, Dardenne,		(N)
		Winfield, Troy, Old Monroe, Moscow		(N)
		Mills, Wentzville, Foristell, New Melle,		(N)
		Defiance and Augusta; and Orchard Farm		(N)
		Telephone Company's exchange of		(N)
		Orchard Farm.		(N)

Ladue	Bridgeton, Florissant, Hazelwood, Spanish Lake	All subscribers in the St. Louis Metropolitan Exchange, plus Optional Metropolitan Calling Area service subscribers in Southwestern Bell's exchanges Of Portage Des Sioux, St. Charles Chesterfield, Manchester, Valley Park, Fenton, Maxville, Imperial, Pond, Eureka, High Ridge, Antonia, Herculaneum-Pevely, Gray Summit, Pacific, Cedar Hill, Ware, Hillsboro, Festus-Crystal City and DeSoto, Verizon Midwest's exchanges of St. Peters, O'Fallon, Dardenne, Winfield, Troy, Old Monroe, Moscow Mills, Wentzville, Foristell, New Melle, Defiance and Augusta; and Orchard Farm Telephone Company's exchange of Orchard Farm.	MCA-2	(N)
Creve Coeur	Creve Coeur	All subscribers in the St. Louis Metropolitan exchange, Chesterfield and Manchester, Plus Optional Metropolitan Calling Area service subscribers in Southwestern Bell's exchanges of Portage Des Sioux, St. Charles Valley Park, Fenton, Maxville, Imperial Harvester, Pond, Eureka, High Ridge, Antonia, Herculaneum-Pevely, Gray Summit, Pacific, Cedar Hill, Ware, Hillsboro Festus-Crystal City and DeSoto, Verizon Midwest's exchanges of St. Peters, O'Fallon, Dardenne, Winfield, Troy, Old Monroe Moscow Mills, Wentzville, Foristell, New Melle, Defiance and Augusta; And Orchard Farm Telephone Company's exchange of Orchard Farm	MCA-2	(N)

CenturyTel Area

St. Peters	St. Peters	Harvester, Augusta	MCA-4	(M)
		New Melle, Foristell		(M)
		Defiance, O'Fallon		(M)
		Dardenne, Wentzville		(M)
Dardenne	Dardenne	St. Peters, O'Fallon	MCA-4	(M)
		Augusta, New Melle		(M)
		Foristell, Defiance		(M)
		Wentzville		(M)
O'Fallon	O'Fallon	St. Peters, Dardenne	MCA-4	(M)
		Augusta, New Melle		(M)
		Foristell, Defiance		(M)
		Wentzville		(M)
Wentzville	Wentzville	Augusta, Dardenne	MCA-5	(M)
		Defiance, Foristell		(M)
		O'Fallon, New Melle,		(M)
		St. Peters		(M)

Calling rules, per line MO PSC, apply to Customers requesting MCA service in the above exchanges as follows: (M) (M)

Principal Zone subscribers can call##:
- all MCA Principal Zone, MCA-1 and MCA-2 Customers, and all MCA-3, MCA-4 and MCA-5 subscribers. (M) (M)

MCA-1 subscribers can call##:
-all M CA Principal Zone, MCA-1, and MCA-2 Customers, and all MCA-3, MCA-4 and MCA-5 subscribers. (M) (M)

MCA-2 subscribers can call##:
-all MCA Principal Zone, MCA-1, and MCA-2 Customers, and all MCA-3, MCA4 and MCA -5 subscribers. (M) (M)

MCA-3 subscribers can call##: (M)
-all MCA Principal Zone, MCA-1, MCFA -2 and MCA-3 Customers, and all MCA-4 and MCA-5 subscribers. (M)

See Figure 1 – MO PSC Local Exchange Map for exchange areas in each MCA Zone

MCA-4 and MCA-5 subscribers can call##:
-all MCA Principal Zone, MCA-1, MCA-2, MCA-3 and MCA-4 Customers, and all MCA-5 subscribers. **(M)**

MCA-1, MCA-2, MCA-3, MCA-4 and MCA-5 non-subscribing Customers can call: **(M)**
-all Customers in their own local exchange and EAS points, if any. **(M)**

NOTE: MCA numbering is not applicable in Principal Zone, MCA-1 and MCA-2. Customers in these areas **(M)**
May call all MCA customers for all zones on a non-toll basis. Customers in Principal Zone, MCA-1 **(M)**
And MCA-2 will incur toll charges when calling non-MCA customers in MCA-3, MCA-4 and MCA-5. **(M)**

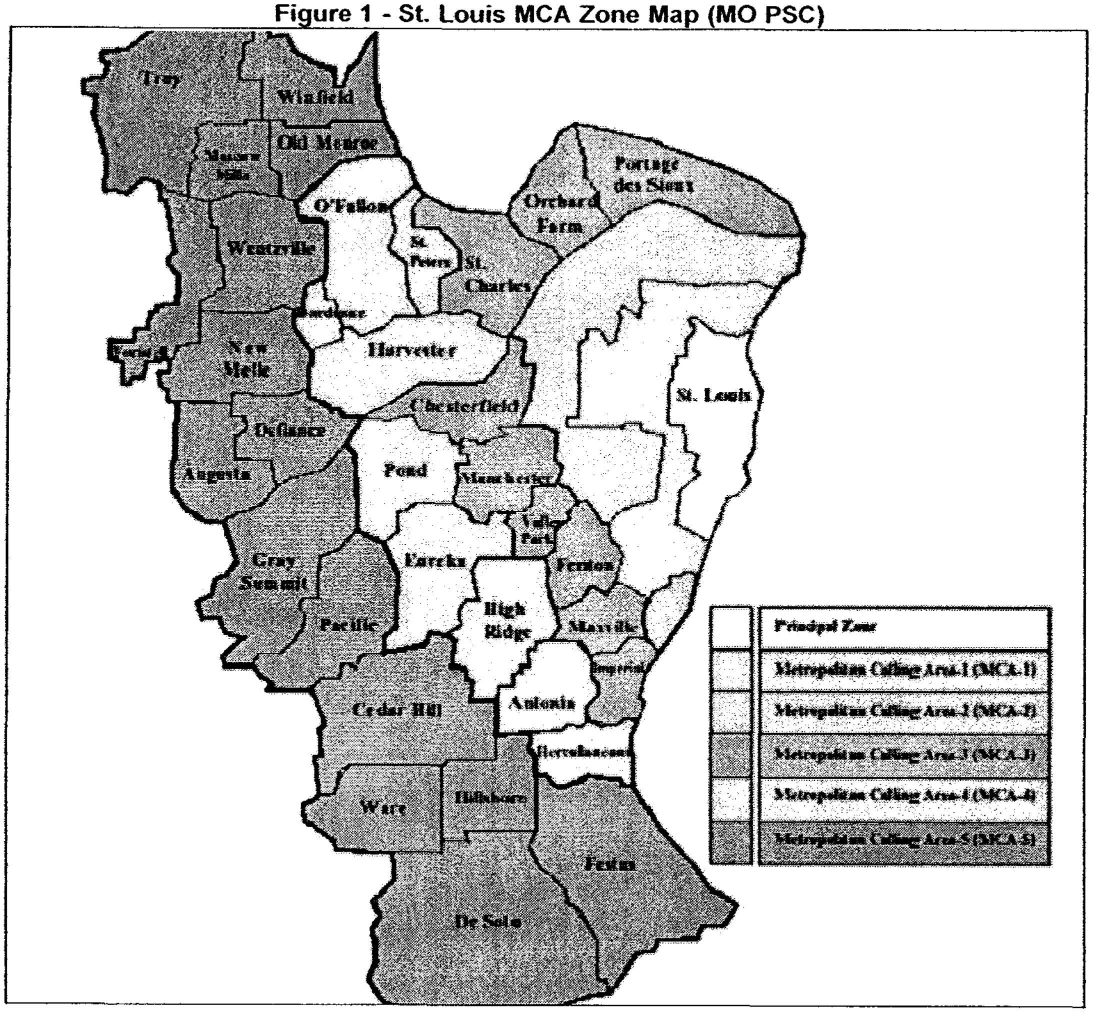
Subscribers include all customers of incumbent local exchange carriers and, pursuant to the Missouri **(M)**
Public Service Commission Report and order in Case No. T0.99-483, all customers of competitive local **(M)**
Exchange carriers.

Optional Metropolitan Calling Area service subscribers include all customers of incumbent local exchange **(M)**
Carriers and competitive local exchange carriers being served by dedicated NXX codes identified as MCA **(M)**
NXX codes pursuant to the Missouri Public Service Commissions' report and order in Case No. T0-00-483. **(M)**

See Figure 1 - MO PSC Local Exchange Map for exchange areas in each MCA Zone.

(D)

Figure 1 - St. Louis MCA Zone Map (MO PSC)



1.7. Practices and Procedures – Residential Service

1.7.1 Rights of the Telephone Company in Furnishing Service

1. Ownership and Use of Services

   a. Facilities furnished by the Telephone Company to provide transmission Service on the premises of a Customer (except for inside wiring and inside jacks) are the property of the Telephone Company. This includes the Telephone Company-assigned Telephone Number(s) to Customer. The agents and employees of the Telephone Company shall have the right to enter said premises at any reasonable hours for the purpose of installing, inspecting, maintaining or repairing the equipment, instruments and lines, or upon termination of the Service, for the purpose of removing such equipment, instruments and lines.

   b. If the installation and maintenance of Service are requested at locations which are or may become hazardous or dangerous to the Telephone Company's employees or the public or property, the Telephone Company may refuse to install and maintain such Service, and, if such Service is furnished may require the Customer to install and maintain such Services and may also require the Customer to indemnify and hold the Telephone Company harmless from any claims, loss or damage by reason of the installation and maintenance of such Service.

2. Service Use by Customer

The Service is furnished only for use by the Customer, the Customer's family, or persons residing in the Customer's household, except as the use of the Service may be extended to persons temporarily subleasing a Customer's residential premises. Use of the Services and all charges incurred therein shall be the sole responsibility of the Authorized Account User.

3. Use of Party Line Service

Applications for party line Service are not accepted by the Telephone Company.

4. Connection of Automatic Dialing-Announcing Devices

   a. The Telephone Company will not knowingly permit connection to or operation over the telephone network of an automated dialing-announcing device used for solicitation purposes where calls initiated by the device cannot be terminated at will by the called party and dial tone restored to the called party promptly upon termination of the call by the called party.

   b. Any prerecorded message issued by an automated dialing-announcing device shall be preceded by an announcement that states the name and address of the calling party, the purpose of the message, and that the message is coming from automated equipment.

(M)

1.7.2 Establishment and Provision of Service (M)

Application for Service

1 Applications for initial or additional Services may be made to Telephone Company verbally or in writing During the application process, the Telephone Company may check commercial credit services or past telephone account information in order to establish a credit risk assessment and/or for use in establishing any deposit amount that may be required

2 Any change in rates or regulations prescribed by public authority having applicable jurisdiction, modifies all terms and regulations of the Services to the extent of such changes

3 The Telephone Company reserves the right to refuse service to any applicant who is found to be indebted to the Telephone Company for service previously furnished until satisfactory arrangements have been made for the payment of all such indebtedness The Telephone Company may also refuse to furnish service to any applicant desiring to establish service for former Customers of the Telephone Company who are indebted for previous service, regardless of the listing requested for such service, until satisfactory arrangements have been made for the payment of such indebtedness

4 The Telephone Company may also decline to provide service to a minor whose principal place of abode is the home of the minor's parent, guardian, or other person legally charged with the minor's care and custody

1.7.3 Directories

1 Telephone Directory Distribution - The Telephone Company will contract with the incumbent Company that currently distributes directories in the applicable exchange areas for purposes of providing direction to its Customers Directories will be distributed without charge to the Telephone Company's Customers Additional directories or information requested by a Customer will be furnished where, in the opinion of the Telephone Company, such provision will result in a more efficient use of the Service by that Customer Additional directories will be furnished at the discretion of the Telephone Company at a reasonable rate

2 Telephone Directory Ownership - Directories regularly furnished to Customers are the property of the incumbent distributing telephone company, are loaned to Customers only as an aid to the use of the telephone service, and are to be returned to the Telephone Company or the incumbent distributing company upon request The Telephone Company shall have the right to make a charge for directories issued in replacement of directories destroyed, defaced or mutilated while in possession of Customers

3 The rates and regulations for directory listings in this Section, 1 7 3, apply only to the alphabetical directory containing the regular alphabetical list of names of Customers

4 The alphabetical list of names of Customers is for the purpose of informing calling parties of the telephone numbers of Customers and those entitled to use Customers' Service, and special position or arrangement of names is not contemplated

5 (4)The Telephone Company limits the length of any listing in the directory by the use of abbreviations when, in the opinion of the Telephone Company, the clearness of the listing or the identification of the Customer is not impaired thereby

6 Listings must conform to the incumbent Telephone Company's practices with respect to its directories (M)

7 Listings are regularly provided in connection with all classes of Exchange Service, unless the Customer subscribes to Non-published or Non-listed Service Ordinarily, listings are automatically included in the directory A listing, however, may be omitted upon request of a Customer when, in the judgment of the Telephone Company, the omission of the listing is warranted by the circumstances of the particular case

8 Except as provided in Section 1 7 10 of this Local Exchange Tariff, the applicable period for directory listings, including extra listings, where the listing actually appears in the directory, is the current directory period

9 The Telephone Company will furnish upon request the name and address of the Customer when used to provide recorded announcements under the provisions of this Local Exchange Tariff

10 One listing without charge, termed the Primary Listing, is provided as follows

a One listing will be provided at one alphabetical location This listing must be the actual name of the Customer to whom service is rendered, or it may be the name of a member of the Customer's family or household, or a dual name Primary Listing may be provided for two persons who reside at the same address or for a person known by two first names This listing is comprised of a surname, no more than four additional names, one address, and one telephone number

b The four (4) additional names referred to preceding can be any combination in accordance with the Customer's preference of the following first name, middle name, initial(s), nickname, maiden name and second surname

c When a Customer has Telecommunications for the Deaf (TDD) Service, they may request their listing identified as TDD Only or TDD & Voice next to their number

d No name or phrase will be listed which, in the opinion of the Telephone Company, is likely to mislead or deceive the public

e When service is contracted for by one party for the use of a second party, the listing may be in the name of the second party provided the preceding requirements are met insofar as the listed name is concerned

f At the request of the Customer, the primary listing may be omitted from the directory (Non-listed Service) or from both the directory and the Directory Assistance Service records (Non-published Service) Non-listed and Non-published Services are furnished subject to the regulations and rates specified in Section 1 8 4 of this Local Exchange Tariff The omission of the primary listing in the directory at the Customer's request does not entitle the Customer to an additional listing without charge in connection with other Services for which the Customer may be subscribing

1.7.4 Priority of Service

(M)

In case a shortage of facilities exists at any time, either for temporary or protracted periods, the establishment of network transmission service takes precedence in the furnishing of any service or facility

1.7.5 Customer Premise Equipment (CPE)

Customer Premises Equipment ("CPE") is all terminal equipment normally used on the Customer's premises and owned by the Customer, or owned by the Telephone Company or some other supplier and leased to the Customer, including the terminal equipment located or held in inventory on the Customer's premises

The Telephone Company shall allow Customers to secure the provision, repair, and maintenance of CPE from any supplier, provided that such equipment shall be in compliance with applicable registration standards promulgated by the Federal Communications Commission

The Telephone Company will endeavor to answer any questions concerning the installation, repair, and maintenance of CPE by telephone contact, personal contact, or printed material, upon request

1.7.6 Fees and Taxes Billed to Customer

When any municipality, other political subdivision or local agency of government, imposes upon the Telephone Company any license, occupation, or other similar charge or tax applicable to service by the Telephone Company to the Customer, or imposes a charge or tax based upon a percentage of gross receipts, net receipts, or revenues from sale of telephone service by the Telephone Company, the charges for local service to Customers within such municipality, other political subdivision or local agency of government, shall be increased by an amount equal to each such Customer's proportionate part of any such charge or tax, and such amount shall be shown separately on the Customer's bill

All regulated charges, other than taxes and franchise fees, will be submitted to the Missouri Public Service Commission for prior approval

1.7.7 Application of Residential Rates

Residential rates apply at the following locations

1 In private residences where business listings are not provided

2 In private apartments of hotels, rooming houses, or boarding houses where service is confined to the Customer's use, and elsewhere in rooming and boarding houses which are not advertised as a place of business or which have less than five rooms for roomers or which furnish meals to less than ten boarders, provided business listings are not furnished

3 In the place of residence of a clergyman or nurse, and in the place of residence of a physician, dentist, veterinary, surgeon or other medical practitioner, provided the Customer does not maintain an office in the residence

Telephone Company does not offer business class Service

1.7.8 Establishment and Maintenance of Credit (M)

1 Establishment of Credit

The Telephone Company is not obligated to provide service to any individual or firm that owes the Telephone Company an undisputed amount for services previously rendered at the same or a different address, until arrangements have been made to liquidate such previous indebtedness to the Telephone Company

2 Discontinuance of Service for Failure to Establish Credit

During normal business hours, Service may be discontinued for failure to establish credit, as authorized in this Local Exchange Tariff, after written notice by first class mail has been sent or delivered to the Customer, at least ten (10) days prior to the date of the proposed discontinuance

3 Service Restoral Charge

Where Service has been discontinued for failure to establish credit as authorized above, the regular restoral of service charge will be made and collected by the Telephone Company

4 Retention of Uncollectable Records

The Telephone Company retains uncollectable records for a period of two (2) years

1.7.9 Deposits

Telephone Company may require a deposit from Customer based upon findings as stated in Section 1 7 2

Interest will be calculated and paid on residential deposits pursuant to the Missouri PSC rules A deposit shall be subject to the following terms

1 Required deposits shall not exceed the estimated charges for two (2) months' service based on the average bill during the preceding twelve (12) months, or, in the case of new applicants for service, the average monthly bill for new subscribers within a Customer class,

2 Upon discontinuance or termination, the deposit shall be credited, with accrued interest, to any charges stated on the final bill and the balance, if any, shall be returned to the Customer within twenty-one (21) days of the rendition of such final bill,

3 Upon satisfactory payment of all undisputed charges during the last twelve (12) billing periods, Telephone Company shall, with accrued interest, promptly refund or credit the deposit against charges stated on subsequent bills Telephone Company may withhold refund of a deposit pending the resolution of a dispute with respect to charges secured by such deposit,

4 Telephone Company shall maintain records that show the name of each Customer who has posted a deposit, the current address of such Customer, the date and amount of deposit, the date and amount of interest paid and the earliest possible refund date (M)

5 Telephone Company shall upon request provide within ten (10) days a receipt that contains the following information

   a Name of Customer,
   b Address of the service location for which the deposit is required,
   c Place where deposit was received or a designated code that identifies the location,
   d Date when the deposit was received
   e Amount of the deposit, and
   f The terms that govern retention and refund of the deposit

6 Telephone Company shall maintain a record of the deposit refunded and interest paid on such deposit for a period of at least two (2) years after the refund is made,

7 Telephone Company shall permit a Customer to post a deposit required as a condition of continued service in two (2) equal monthly installments or as otherwise agreed upon Telephone Company may bill these installments as a line item on Customer bills

1.7.10 Initial Contract Periods

1 Unless otherwise specified herein or elsewhere in the Telephone Company's Local Exchange Tariffs, the initial (or minimum) period for service is one (1) month from the date service is established and the minimum charge is the established rate for one (1) month

2 The length of period for directory listings where the listings have been published is the directory period The directory period is from the day on which the directory is first distributed to the Customers to the day the succeeding directory is first distributed to Customers

3 The Telephone Company may require a Service period longer than one (1) month at the same location in connection with special (nonstandard) types or arrangements of facilities, or for unusual construction, necessary to meet special demands, and involving extra costs

1.7.11 Suspension or Termination of Service by the Customer

Suspension

Service may be suspended at the Customer's request to accommodate vacation or other extended absence needs A request for the suspension of service may not exceed three (3) consecutive months and can only be applied to the Customer account one (1) time per calendar year A suspension charge will be applied to each line associated with the account as outlined in <u>Section 1 8 5, Application of Rates</u>

Termination

Service may be terminated upon notice being given to the Telephone Company, and upon payment of any applicable termination charges, in addition to all charges due for service which has been furnished

1.7.12 Involuntary Suspension or Termination of Service (M)

1 A Customer's service may be suspended for unauthorized use of or nonpayment of, all undisputed, delinquent charges for services furnished the Customer, authorized users, and any other charges for which the Customer has agreed to be responsible, including but not limited to, charges for services originated or charges accepted at the Customer's telephone for exchange service, intrastate or interstate long distance service charges billed by the Telephone Company, any FCC-approved end user charge, any charges transferred to the Customer's account from terminated accounts billed to the same Customer, after a written notice has been furnished to the Customer Basic local telecommunications service may not be disconnected for Customer non-payment of a delinquent charge for other than basic local telecommunications service The Customer's written notice shall be sent or delivered to the Customer at least ten (10)days prior to the date of the proposed discontinuance Basic telecommunications service shall not be suspended on a day when the offices of the Telephone Company are not available to facilitate reconnection of service or on a day immediately preceding such day A Customer shall have at least twenty-one (21) days from the rendition of a bill to pay the charges stated

Basic Services are defined as "two-way switched voice service within a local calling scope as determined by the Commission comprised of any of the following services and their recurring and nonrecurring charges

- a Multiparty, single line, including installation, touchtone dialing, and any applicable mileage or zone charges,
- b Assistance programs for installation of, or access to, basic local telecommunications services for qualifying economically disadvantaged or disabled Customers or both, including, but not limited to, lifeline services and link-up Missouri services for low-income Customers or dual- party relay service for the hearing impaired and speech impaired,
- c Access to local emergency services including, but not limited to, 911 service established by local authorities,
- d Access to basic local operator services,
- e Access to basic local directory assistance,
- f Standard intercept service,
- g Equal access to interexchange carriers consistent with rules and regulations of the Federal Communications Commission,
- h One standard white pages directory listing

Basic local telecommunications service does not include optional toll free calling outside a local calling scope but within a community of interest, available for an additional monthly fee or the offering or provision of basic local telecommunications service at private shared-tenant service locations [2]

2 At least twenty-four (24) hours preceding a suspension, the Telephone Company shall make reasonable efforts to contact the Customer to advise him of the proposed discontinuance and what steps must be taken to avoid it

3 The Telephone Company may place global toll blocking and eliminate any optional, non-basic calling features and functions for Customer nonpayment of delinquent charges for other than basic local telecommunications service

[2] Missouri PSC Statute 386-020

4. When telephone service is necessary to obtain emergency medical assistance for a person who is a member of the household where the service is provided and where such person is under the care of a physician, the Customer may request a delay of termination of service for up to twenty-one (21) days. Any person who alleges such emergency shall, if requested, provide the Telephone Company with reasonable evidence of such necessity. (M)

5. The Telephone Company may refuse to furnish Service to any person, on whose premises is located any telephone equipment owned by the Telephone Company which shows any evidence of tampering, manipulation, or operation, or use of any device whatsoever, for the purpose of obtaining telephone service without payment of the charges applicable to the service rendered.

6. The Telephone Company may disconnect, without advance notice:

   a. Any Service used in such a manner as to interfere unreasonably with other services or service of another user, constitute abuse, fraud, theft, or tend to injuriously affect the efficiency of the Telephone Company's plant, property or service. (T)

   b. Any Service or call which is used with intent to terrify, intimidate, threaten, harass, annoy, or offend another telephone user.

   c. Any Service used to disseminate without authorization confidential, proprietary information of the Telephone Company or information that would enable other persons to gain unauthorized access to the Telephone Company's network or facilities.

7. The Telephone Company may refuse to furnish or may deny Service to any Customer who, over the facilities furnished by the Telephone Company, uses or permits to be used foul, abusive, obscene or profane language; or impersonates or permits others to impersonate any other individual.

8. The Telephone Company may refuse to furnish Service and may also disconnect existing Service for a Customer who demonstrates fraudulent means of obtaining, or attempting to obtain, or assisting another to obtain, service by any trick, scheme, false representation, false credit device, or by or through any other fraudulent means or device whatsoever, with intent to avoid the payment, in whole or in part, of the charge for such service.

9. The Telephone Company may refuse to furnish or may discontinue Service to any Customer upon objection to the furnishing of such service made by or on behalf of any governmental authority on the grounds that such service is or is to be used for illegal purposes.

10. Subject to Missouri regulations, the Telephone Company may disconnect, on 24 hours notice, any service when the Customer has made payment of past due amounts with insufficient funds via check draft or credit card. Customer may prevent disconnection by making payment of all amounts owed in guaranteed funds prior to the expiration of the 24 hour insufficient funds notice. (T)

(M)

2 All bills for Services are due when rendered and are payable at the office of the Telephone Company, or an authorized collection agency (The Telephone Company will provide a copy of the original/official bill, upon the request of the Customer, in Braille or no less than twenty-four point bold-faced type print or both) Customers shall have twenty-one (21) days from the date of the bill to pay the charges stated before charges are considered delinquent except when the Customer has had service discontinued for nonpayment in the last twelve (12) months or where the Customer incurs other charges at any time during the billing period which are equal to at least four hundred percent (400%) of the amount of the deposit or guarantee previously required from the Customer (M)

3 Service to Customers having undisputed delinquent accounts may be discontinued after written notice by first class mail is sent or delivered to the Customer at least ten (10) days prior to the proposed disconnection date Service will be discontinued during normal business hours and will not take place on a day when the offices of the Telephone Company are not available to facilitate reconnection of service, or on a day immediately preceding such day The Telephone Company will postpone a discontinuance of service for a time not in excess of twenty-one (21) days if the telephone is necessary to obtain emergency medical assistance for a person who is a member of the household where the telephone service is provided and where such person is under the care of a physician Any person who alleges such emergency shall, if requested, provide the Telephone Company with reasonable evidence of such necessity

4 A Late Payment Charge of 1 5% per month on all outstanding unpaid balances will be charged to Customer accounts with an unpaid balance thirty-one (31) or more days past due to compensate the Telephone Company for the additional administrative expense associated with these accounts

5 When the service of a Customer has been denied or suspended in accordance with rules for Service in this Local Exchange Tariff, but the service has not been terminated or the order to remove the service has not been completed, if such service is restored, a restoral of service charge as quoted in this Local Exchange Tariff, will be made In addition to the restoral of service charge, the Customer will be required to pay, or make satisfactory arrangements to pay all service charges up to the time of restoral of service

6 Subsequent to the completion of an order to terminate the service it may be reestablished only on the basis of a new service application

1.7.14 Construction, Installation and Maintenance Charges

Construction performed under this Section 1 7 14 shall be at the sole discretion of the Telephone Company

1 Special charges in the form of installation charges, monthly charges, or both, are applied in addition to the usual service charges and monthly rates, when, because of the sporadic or occasional nature of the service or an unusual investment or expense, the revenue does not reasonably compensate the Telephone Company, for example

   a The facilities are not presently available, and there is no other requirement for the facilities so constructed
   b The facilities are provided in remote or undeveloped sections outside the Base Rate Area, or if the facilities are provided on a temporary basis

1.7.13 Payment for Facilities and Services (M)

1. The Customer is held responsible for all charges for Services rendered and furnished to the Customer including any FCC - approved end user charge, billed monthly in advance. The Customer shall also pay for state or interstate long distance service charges that may billed by the Telephone Company, including charges for toll messages in which charges have been reversed and also nonrecurring service charges when billed. The Customer is also responsible for any charges transferred to the Customer's account from terminated accounts billed to the same Customer.

c The facilities are of a type other than that which the Telephone Company would normally utilize in the furnishing of its services (M)

d The facilities would be deployed over a route other than that which the Telephone Company would normally utilize in the furnishing of its services
e The facilities would be in a quantity greater than that which the Telephone Company would normally construct
f The facilities would be constructed on an expedited basis
g The facilities would be constructed on a temporary basis until permanent facilities are available
h The facilities would be constructed in advance of Telephone Company's normal construction
i The conditions require the provision of special facilities or unusual methods of plant construction, installation, or maintenance
j The Customer's location requires the use of costly private right-of-way

2 Title to all construction, provided wholly or partly at a Customer's expense, is vested in the Telephone Company

3 Construction charges will include materials, contract services, and loaded labor The Customer is required to bear unusual maintenance costs for special construction

4 Overhead loading of labor is calculated with a composite allocation factor that is based on plant, construction, and engineering personnel salaries and expenses, supervision, pension expense, insurance, unemployment and social security taxes This factor is developed annually by determining the relationship of the above expenses to the total payroll base It is applied to expenses for construction, removals, plant and central office maintenance

5 The Telephone Company will provide an estimate of actual charges to the Customer prior to the start of construction

6 When attachments are made to poles of other companies, in lieu of providing construction for which the Customer would be charged under the provisions hereof, the cost to the Telephone Company for such attachments are borne by the Customer

7 The Customer is required to pay construction charges as made by another company providing facilities connecting with the facilities of the Telephone Company

8 Construction charges will not apply to the Customer's station installation that includes the aerial drop that extends from the last pole to the demarcation point

9 Refer to Glossary of Definitions and Terms for explanation and examples of the term "demarcation point"

10 Installation of facilities within subdivisions shall be underground where underground treatment is the usual form of installation

11 The following definitions are used with regard to facilities constructed and owned by the Telephone Company

a Applicant - The developer, builder, or other person, partnership, association, firm, private or public corporation, trust, estate, political subdivision, governmental agency, or other b legal entity recognized by law, applying for the construction of a telephone distribution system in a subdivision (M)

c Building - A single structure roofed and enclosed with exterior walls, built for permanent use, erected, frames of component structural parts and unified in its entirety both physically and in operation for single-family residential occupancy in a subdivision (Definition excludes mobile homes)

d Subdivision - A lot, tract, or parcel of land divided into two or more lots, plots, sites or other divisions for use for new residential buildings or the land on which is constructed new multiple-occupancy buildings per a recorded plot thereof if such recordation is required by law

12 The Telephone Company upon receipt of the applicant's proper application will install underground facilities with suitable materials to assure that the applicant will receive reasonably safe and adequate telephone service The provision of the underground facilities will be at no charge, except where a charge is permitted in this Section of the Local Exchange Tariff

13 Rights-of-Way and Easements

a Within the applicant's subdivision, the Telephone Company will construct, own, operate, and maintain underground facilities only along public streets, roads, and highways which the Telephone Company has the legal right to occupy, and on public land and private property across which rights-of-way and easements satisfactory to the Telephone Company may be obtained without cost or need for condemnation by the Telephone Company

b Rights-of-way and easements, within the subdivision, satisfactory to the Telephone Company, must be provided by the applicant within reasonable time to meet construction and service requirements before the Telephone Company shall be required to commence its installation Such rights-of-way and easements must be provided by the applicant at no charge to the Telephone Company, be cleared of trees, tree stumps, and other obstructions and be graded to within six (6) inches of final grade Such clearance and grading must be maintained by the applicant during construction by the Telephone Company

14 Advances by the Applicant

a Where, due to the manner in which a subdivision is developed, the Telephone Company is required to construct an underground distribution system through a section or sections of the subdivision where service will not be connected for at least two (2) years, then the Telephone Company may require a reasonable advancement for the construction from the applicant before construction is commenced, to guarantee performance

b Where the subdivision is developed in a uniform manner so that the Telephone Company may restrict the construction of its underground telephone distribution system to a section or sections in which buildings or multiple-occupancy buildings are being constructed, the Telephone Company may not require an advance c If an advance is required under these rules, then the advance, without interest, shall be returned to the applicant on a pro rata basis as the permanent service connection is made to each building or multiple-occupancy building (M)

d Any portion of an advance remaining unrefunded ten (10) years from the date the Telephone Company is first ready to render service with the extension will be retained by the Telephone Company and credited to the appropriate construction account

15 Temporary Facilities

a Temporary facilities may be installed to provide service, when necessary, for a maximum period of one (1) year

b When it is necessary to place temporary facilities in advance of the permanent underground telephone system in order to provide telephone service, the Telephone Company may require the applicant to pay the estimated nonrecoverable costs of the temporary facilities If the required costs under the above-described conditions apply, the Telephone Company has the right to refuse installation of the temporary facilities until the required costs are paid to the Telephone Company

16 Special Conditions

In circumstances, where the application of these rules appears impracticable or unjust to the applicant or the Telephone Company, or discriminatory to other Customers, e g , difficult rock conditions, the Telephone Company or applicant shall refer the matter to the Missouri Public Service Commission for special ruling or for the approval of special conditions which may be mutually agreed upon prior to commencing construction

17 Special Type of Construction

When underground service connections are desired by Customers as initial installation in places where aerial drop wires would ordinarily be used to reach the Customers' premises, or when aerial facilities are used to provide service to a customer and subsequently the Customer desires that such facilities be placed underground, the following regulations apply

a Where cable is laid in conduit, the underground conduit shall be constructed and maintained by or at the expense of the Customer and in addition, the Customer shall pay the cost of the underground cable, including the cost of installing, less the estimated cost to the Telephone Company of installing such aerial facilities as would be (or are) required to furnish the same service The underground conduit shall be constructed in accordance with plans and specifications furnished by the Telephone Company

b The duct or ducts required in the underground conduit by the Telephone Company to furnish service shall be reserved for its exclusive use

c Where conductors are laid in a trench, the trench shall be constructed and backfilled by or at the expense of the Customer In addition, the Customer shall pay the cost of the conductors, including the cost of installing, less the estimated cost to the Telephone Company of installing such aerial facilities as would be (or is) required to furnish the same service d Cable or wire installed in conduit will be maintained and replaced at the expense of the Telephone Company where the conduit has been inspected in place by the Telephone Company and approved, but repairs or replacements of cable or wire in conduit not so inspected and approved, or repairs or replacements of cable or wire in conduit or trench made necessary by damages caused by the Customer or his representative will be made only at the Customer's expense (M)

e Where facilities are changed from aerial to underground, in addition to the above, the Customer is charged the cost of dismantling and removing the aerial facilities

1.7.15 Slamming

Slamming is the unauthorized change of a subscriber's preferred local, IntraLATA toll or InterLATA toll telecommunications carrier

Per **FCC 00-135, CC Docket 94-129**, a telecommunications carrier who acquires a Customer by an unauthorized change of that Customer's local service may be billed the applicable nonrecurring charges to establish that Customer's service as a new account back with the Customer's authorized telecommunications carrier

Telephone Company will only execute a change on the behalf of a subscriber in the subscriber's selection of a provider of telecommunications service in accordance with the procedures prescribed in **4 CSR 240-33 150**

1.7.16 911 Emergency Services

1 Telephone Company will supply the 911/E-911 service provider in Telephone Company's service area with accurate information necessary to update the 911/ E-911 database at the time Telephone Company accepts Customer orders

2 At the time Telephone Company provides basic local service to a Customer by means of Telephone Company's own cable pair, or over any other exclusively owned facility, Telephone Company will make the necessary equipment or facility additions in order to accurately and properly update the database for 911/E-911

3 Telephone Company is obligated to provide facilities to route calls from the end users to the proper Public Safety Answering Point Telephone Company recognizes the authority of the 911/E-911 Customer to establish service specifications and grant final approval or denial of service configurations offered by Telephone Company

4 Telephone Company will collect 911/E911 surcharges and remit all surcharge revenue to the appropriate governmental entity pursuant to **RSMo 190 310** Telephone Company will observe and adhere to the Commission's emergency telephone service rules in **4 CSR 240-34**

1.7.17 Rights of the Telephone Company's Customer

Customer Notification

The Telephone Company will prepare a statement which, in layman's terms, describing the rights and responsibilities of both the Telephone Company and its Customers according to **4 CSR 240 33** rules. This Statement shall appear in the front part of the telephone directory or the Telephone Company will mail or otherwise deliver such statement to its existing and new Customers.

Upon request the statement shall be submitted to the Commission, its staff, or Office of the Public Counsel

The statement will include descriptions of

1. Billing procedures,
2. Customer payment requirements and procedures,
3. Deposit and guarantee requirements,
4. Conditions of termination, discontinuance and reconnection of service,
5. Procedures for handling inquiries,
6. A procedure whereby a Customer may avoid discontinuance of service during a period of absence,
7. Complaint procedures under **4 CSR 240-2.070**
8. The telephone number and address of all offices of the Missouri Public Service Commission and the statement that this Telephone Company is regulated by the Missouri Public Service Commission, and
9. The address and telephone number of the Office of the Public Counsel and a statement of the function of that office

Telephone Co mpany will provide a toll-free telephone number for Customer inquiries

(D)

(D)

Customer Disputes (M)

1 A Customer shall advise the Telephone Company that all or part of a charge is in dispute by written notice, in person, or by a telephone message directed to the Telephone Company during normal business hours A dispute must be registered with the Telephone Company prior to the delinquent date of the charge for a Customer to avoid discontinuance of service as provided by these rules

2 When a Customer advises a Telephone Company that all or part of a charge is in dispute, the Telephone Company shall record the date, time and place the inquiry is made, investigate the inquiry promptly and thoroughly, and attempt to resolve the dispute in a manner satisfactory to both parties

3 Failure of a Customer to cooperate with the Telephone Company in efforts to resolve an inquiry which has the effect of placing charges in dispute shall constitute a waiver of the Customer's right to continuance of service under this Chapter

4 If a Customer disputes a charge, the Customer shall pay an amount to the Telephone Company equal to that part of the total bill not in dispute The amount not in dispute shall be mutually determined by the parties The parties shall consider the Customer's prior usage, the nature of the dispute and any other pertinent factors in determining the amount not in dispute The Telephone Company shall not discontinue service to a Customer for nonpayment of charges in dispute while that dispute is pending

5 If the parties are unable to mutually determine the amount not in dispute, the Customer shall pay to the Telephone Company, at the Telephone Company's option, an amount not to exceed fifty percent (50%) of the charge in dispute or an amount based on usage during a like period under similar conditions which shall represent the amount not in dispute The Telephone Company shall not discontinue service to a Customer for nonpayment of charges in dispute while that dispute is pending

6 Failure of the Customer to pay to the Telephone Company the amount not in dispute within four (4) working days from the date that the dispute is registered or by the delinquent date of the disputed bill, whichever is later, shall constitute a waiver of the Customer's right to continuance of service and the Telephone Company may then proceed to discontinue service as provided in this rule

7 If the dispute is ultimately resolved in the favor of the Customer in whole or in part, any excess moneys paid by the Customer shall be refunded promptly

8 If the Telephone Company does not resolve the dispute to the satisfaction of the Customer, the Telephone Company representative shall notify the Customer that each party has a right to make an informal complaint to the Commission, and of the address and telephone number where the Customer may file an informal complaint with the Commission If a Customer files an informal complaint with the Commission prior to advising the Telephone Company that all or a portion of a bill is in dispute, the Commission shall notify the Customer of the payment required by sections (4) and (5)

9 After resolution of the Customer complaint, a Telephone Company may treat a customer complaint or dispute involving the same question or issue based upon the same facts as already determined and is not required to comply with these rules more than once prior to discontinuance of service

Customer Complaint Escalation Procedures (M)

1 Any customer of Telephone Company who feels aggrieved by a violation of any of the application of rules in this Local Exchange Tariff or of the Public Service Commission laws of Missouri relating to telecommunications companies, may file an informal or formal complaint under **4 CSR 240-2 070**

2 If the Telephone Company and its customer fail to resolve a matter in dispute, the Telephone Company shall advise the customer of his/her right to file an informal or formal complaint with the Commission under **4 CSR 240-2.070**

3 Pending the resolution of a complaint filed with the Commission, the subject matter of such complaint shall not constitute a basis for discontinuance of service

1.8 Local Exchange Service – Description and Rates

This Local Exchange Tariff applies to the Services furnished or made available by the Telephone Company in the state of Missouri and is governed by this Local Exchange Tariff. The charges quoted are for periods of one (1) month unless other wise noted and are payable monthly in advance.

1.8.1 Application of Promotions

Telephone Company may offer promotions for thirty (30) days or longer in Telephone Company's exchanges subject to the availability of facilities. Promotions shall be offered to all similarly situated residence Customers who subscribe to additional lines.

Telephone Company will provide written notice to the Commission no less than seven (7) days prior to the beginning of each promotion period identifying the exchanges, LATAs, or Numbering Plan Areas (NPA) in which the promotions will be offered, the beginning and ending date of the promotion, and the specific type of waiver or credit. The written notice will be filed in an appendix in P.S.C. Mo. No.1, Local Exchange Tariff of Telephone Company.

Telephone Company will not offer a promotion where the projected revenues are not expected to cover long run incremental costs.

Telephone Company will offer all promotions in a non-discriminatory manner.

1.8.2 Promotions

See Appendix A.

1.8.3 Local Exchange Service

Basic Service

1. Description

Telephone Company will provide basic local exchange service via Telephone Company's facilities to residential Customers only. Basic local exchange service includes the following:

a. Basic Local Touchtone Service
b. E911 Emergency Service
c. One Directory Listing
d. Access to Operator Services
e. Access to Directory Assistance
f. Access to Customer Service and Repair Services
g. Access to Line Intercept Services
h. Access to services for the physically impaired
i. Access to Interexchange Carriers for Intrastate and Interstate Intra and InterLATA toll calling
j. Free standard intercept service for 30 days
k. Free unlimited local calling within the local exchange area of the end-user
l. Access to MCA overlay [3]

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[3] All Charter customers who receive their telephone number from Charter will be provided MCA calling at a charge of $12.35 per account (MCA 3 & 4); $19.95 per account (MCA 5) as a non-basic service. See Section 1.8.12 of this tariff. (N)

2. Rates – Monthly Recurring Charge (MRC)

Basic Service	$9.00 for one line – no calling features included	(R)
Additional lines may be added at:	$8.95/line	
Metropolitan Calling Area (MCA)	$10.95/month (MCA 3) $12.35/month (MCA 4) $19.95/month (MCA 5)	(R) (T)

Feature Package Service

1. Description

Telephone Company will package additional calling features into the basic local exchange service provided to residential Customers via Telephone Company's facilities

2. Rates – Monthly Recurring Charge (MRC)

Feature Package Rates are as follows:

The 2-Feature Pack, 3-Feature Flexible Pack and 12-Feature Pack have been "Grandfathered" (only available to customers currently subscribed to this service).
See section 1.8.5 "Grandfathering" of Certain Plans.

5-Feature Pack without MCA - $17.95 (includes basic service)

Features Included: Call Waiting, Caller ID, Caller ID with Call Waiting, Anonymous Call Rejection, Speed Dial 8. This package is available for all Principal Zone, MCA 1, 2, 3, 4 and 5 service areas. First line includes 5 features and additional lines feature basic service only. additional features, long distance or features on additional lines may be purchased at a la carte rates. Customers will not be able to purchase the 300 minute long distance packages with this offer. This package is only available with ported non-MCA numbers. No substitutions will be granted for this feature package.

5-Feature Pack -	$24.95/line (includes basic service & MCA 3) $29.95/line (includes basic service & MCA 4 & 5)	(R) (T)

Features Included: Call Waiting, Caller ID, Caller ID with Call Waiting, Anonymous Call Rejection, Speed Dial 8. First line Includes 5 features and additional lines feature basic service only. Additional packages can be purchased for additional lines. Additional features, long distance or features on additional lines may be purchased at a la carte rates. No substitutions will be granted for this feature package.

1.8.4 Calling Features – *a la carte*

1 Descriptions and Rates – Monthly Recurring Charges (MRC) - unless specified as "per use" *a la carte* pricing of Custom Calling Features and other services are provided below:

Name	Description of Service	Monthly Recurring Charge (MRC)
Non-listed Number	Numbers not in the telephone directory but which are provided to Directory Assistance, per number	$2.00
Non-published Number	Numbers not available in the telephone directory and are not provided to Directory Assistance, per number	$2.50
Directory Assistance Listings	Placing phone numbers in Directory	$0.00
Additional Directory Listings	Multiple listings for one telephone number in Directory, per listing	$0.00
Selective Call Acceptance	Limits incoming calls up to 12 designated numbers and auto routes other incoming calls to a recorded message stating calls are not accepted at this time.	$4.00
Three way calling	Three way calling permits the customer to add a third party to an existing connection, thereby establishing a three way conference call	$2.75
Speed dialing 8	Speed dialing 8 allows a subscriber to establish a connection to certain directory numbers by dialing one digit instead of seven to ten digits.	$2.75
Speed dialing 30	Speed dialing 30 allows a subscriber to establish a connection to certain directory numbers by dialing two digits instead of seven to ten digits.	$6.00
Call Screening	This feature provides the customer with the ability to prevent calls from an unwanted caller.	$4.00
Privacy Control	Stops unidentified calls before phone ever rings (unavailable, out of area, or private calls)	$3.25
PIC Freeze	Providing a PIC freeze on customer's account upon request	No Charge
Call Return	Call Return advises the customer of the last number that called into their line. Provides auto callback option.	$0.50 per use $3.25 MRC $4.00 max per month
Call Waiting	Permits the customer, upon receipt of a tone signal indicating that a call is waiting, to place the existing call on hold and answer second waiting call.	$7.25
LD Alert	This feature allows the current Call Waiting and ringing operations to provide a distinctive call waiting 3-beep tone or a distinctive 3-ringing patter for Long Distance Calls	$1.00
Caller ID	Caller ID with name works along with Caller ID and provides an incoming telephone number AND a listed name on a customer-provided display device attached to the customer's (called party's) line or set.	$6.75
Caller ID with Call Waiting	Call waiting works with Caller ID. Must subscribe to both Call Waiting and Caller ID	No Charge
Anonymous Call Rejection	Allows subscribers to reject calls from numbers that have blocked Identification of their line on Caller ID display devices..	$1.50

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Charter Fiberlink Missouri, LLC

Issue Date: December 2, 2004 Effective Date: January 4, 2005

Caller ID Blocking – Per Line	Allows subscribers to block the display of their telephone number/ name to all Caller ID display devices. See Caller ID requirements for additional information.	No Charge
Caller ID Blocking – Per Call	Allows subscriber to block the display of their name/number to the person they are calling	No Charge
Custom Ring Service 1	This service enables the customer to have as many as two telephone numbers associated with a single line. Customers can receive an optional Custom ring service directory listing.	$3.50
Add/Change Feature	Adding, dropping, substitution of features	$5.00
Distinctive Ring Service	Distinctive ringing service provides the customer with the ability to build and maintain a list of up to twelve telephone numbers in order to differentiate these callers from all other callers	$3.50
Call Forwarding (4 different types):	Provides forwarding capabilities:	
Selective	1) Forwards only list of 12 selective numbers	$2.75
Variable	2) Forwards all calls upon activation	$2.75
Busy	3) Forwards if busy	$2.75
Busy/No Answer	4) Forwards if busy or unanswered	$2.75
Call Forwarding Remote Access	Allows a customer to activate and deactivate transfer of their incoming calls to another telephone number. Used in conjunction with Variable and Selective Call Forwarding only.	$1.00
Call Trace	Allows the subscriber to dial a special code to evoke trace to handle annoying or harassing calls by dialing an activation code. See Call Trace Requirements for additional information.	$20.00 per use
Repeat Dialing	Allows the subscriber to have calls automatically redialed when the first attempt reaches a busy number.	$0.50 Per use $1.75 MRC $2.00 Max. Per month
Prohibit Bill to 3rd	Provides an end user with a method of denying all third number billed calls to specific telephone number provided the transmitting operator checks their validation database.	No Charge
Prohibit to Collect	This service provides the customer the ability to prohibit all collect calls	No Charge
Block Collect and 3rd	This feature has the combination of Third number restriction and Collect restriction.	No Charge
Additional Line	Adding a second line of service.	$8.95
Toll Restriction	This service provides customers the ability to block the following outbound long distance calls: 1+, 0+, 10-10XXX; international, 900, 976.	No Charge

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1.8.5 Application of Rates

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Application for Ported Telephone Numbers

Telephone Company Customers who request to port-in an existing telephone number will be offered the packages described in above section 1 8 3 If the Customer's ported-in telephone number is **non-MCA**, they may subscribe to either the basic local exchange service plan with no change in their telephone number, or if the Customer requests the MCA calling plan, they will be advised that a new telephone number will need to be assigned to them to allow for it to be designated as an MCA NXX They will then be offered the basic local exchange service plan with MCA Overlay

Telephone Company Customers who request to port-in an existing telephone number that is already designated as MCA, will be able to subscribe to the basic local exchange package with the MCA overlay as a non-optional add-in Customer will not be eligible for the basic service only package

Application for Non-Ported Telephone Numbers

Telephone Company Customers who request Telephone Company's Service and are not porting-in an existing telephone number, will be assigned a new Telephone Company telephone number This telephone number will be designated as an MCA NNX Such Customers will be offered the basic local exchange service plan with MCA Overlay

Customer will not be eligible for the basic service only package since this is only available for non-MCA telephone numbers that have been ported-in to Telephone Company

Customer Initiated Temporary Suspension of Service

A Customer may request a temporary suspension of Service to accommodate extended absence needs for vacation, etc Requests for suspension cannot exceed three (3) consecutive months, and can only be applied to the telephone company customer's account one (1) time per calendar year The charge applied for a suspension of service is $5 00/month per line and there is no service during the suspension period If the customer does not provide a restore service date, Telephone Company will restore service and resume billing three months after the suspend date The restored service will be the same and will reflect the same features as the service prior to the suspension Use of the Temporary Suspension of Service option allows the customer to not be charged a disconnect service order charge and a new connect service order charge, while maintaining their telephone number All other monthly recurring charges are waived for the suspended period If promotional pricing is in effect at the start of the suspension period, the promotional period will not be extended for the period of the seasonal disconnect For example, in January, a customer requests a promotional three-feature package that is priced at fifty percent (50%) of the regularly Local Exchange Tariffed rate for six (6) months The customer then requests a seasonal disconnect for two (2) month beginning in May When the service is restored in July, the original promotional time frame has been exhausted and the customer will no longer receive the promotional rate Additionally, if rates for any of the services that the customer subscribes to have been increased or decreased during the suspension period, the customer's service will be billed at the rate in place at the time of termination of seasonal disconnect

"Grandfathering" of Certain Plans (N)

–2-Feature Pack, 3-Feature Flexible Pack and 12-Feature Pack
The Telephone Company is discontinuing the 2-Feature, 3-Feature Flexible and 12-Feature packs as of January 19, 2004. The Telephone Company will "grandfather" (allow the Customer to retain such service for a specific period of time) these packages at the current rate for Customers who are currently subscribed to these packages until either:

a. Customer submits a request to the Telephone Company to change his existing service, or
b. Customer is notified by the Telephone Company that the "grandfathered" calling plan is discontinued.

The "grandfathering" of the Customer's existing plan will allow the Telephone Company's Customers to continue to receive the same services that they have received with the Telephone Company's previous package and rate.

–2-Feature Pack
Monthly Recurring Charge of $12.00/line. Features Included: Call Waiting, Caller ID

–3-Feature Flexible Pack
Monthly Recurring Charge of $22.00/line (includes basic service). Features Included: Call Waiting, Caller ID, Three-Way Calling.

–12-Feature Pack
Monthly Recurring Charge of $24.95/line (includes basic service). Features Included: Call Waiting, Caller ID, Three-Way Calling, Call Forwarding-Variable, Call Forwarding-Remote Access, Call Forwarding-Selective, Call Return, Call Screening, Speed Dial 30, Distinctive Ring, Repeat Dialing, Anonymous Call Rejection.

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1.8.6 Lifeline Service

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Lifeline Service is a unique class of telephone service provided to an applicant who is designed to meet basic residential communications needs for emergency calls and for the maintenance of necessary social contacts

1 Description

Lifeline service includes single party service, voice grade access to the public switched telephone network, access to emergency services, access to operator services, access to interexchange service, and access to directory assistance Toll limitation services may also be provided as a part of Lifeline Service Toll limitation services are limited to toll blocking, which prevents the placement of all long distance calls for which the subscriber will be charged

Lifeline Service applicants are those certified by the department of social services as economically disadvantaged by participation in Medicaid, Food Stamps, Supplementary Security Income (SSI), federal public housing assistance or Section 8, or Low Income Home Energy Assistance Program (LIHEAP), or income qualified as found in Missouri State Statute 660 105 The department of social services shall inform such persons how to apply with Telephone Company for Lifeline Service Pursuant to the FCC's Final Report and Order in Case No CC 96-45 The customer requesting LifeLine Service must provide to the Telephone Company a signed document, certifying under penalty of perjury, that he or she is receiving benefits from one of the programs specified, identifying the program or programs from which he or she is receiving benefits, and agreeing to notify the Telephone Company when they no longer participate in the program or programs

Lifeline Service benefits are applicable only to the primary line at the Customer's principal residence An applicant for Lifeline Service may report only one address in the state as the principal place of residence

When Lifeline Service is requested, no Service and Equipment Charge will apply to install the main service access line

A customer may change to Lifeline Service from any other type of residential service at no charge If a Lifeline customer no longer qualifies for Lifeline Service, that customer must change back to another type of residential service, in which case there will be no charge

All charges either recurring or non-recurring for any service other than Lifeline Service, as described herein, shall be billed at the Local Exchange Tariffed rate

Lifeline Service customers shall be exempt from state sales tax applicable to their basic residential access line

2 Application

To qualify for Lifeline Telephone Service, a customer must meet <u>all</u> the following requirements

a Customer must be head of household or spouse of head of household, and not a dependent for federal income tax purpose, unless over the age of 60
b Certified as economically disadvantaged by the Missouri Dept of Social Services by participation in Medicaid, food stamps, Supplemental Security Income, Federal public housing assistance for Section 8 or Low Income Home Energy Assistance Program (LIHEAP) or Certified as disabled which shall mean totally or permanently disabled or blind and receiving federal social security disability benefits, federal supplemental security income benefits, veterans administration benefits, state blind pension pursuant to **Section 209 010 or 209 160**, RMSo, state aid to blind persons

c. The Customer requesting Lifeline Service must provide to the Telephone Company a signed document, certifying under penalty of perjury, that he or she is receiving benefits from one of the programs specified, identifying the program or programs for which he or she is receiving benefits and agreeing to notify the Telephone Company when they are no longer participating in the program or programs. (M)
d. Have only one telephone line in their home.

Lifeline is not applicable to Customers who are full time students living in university or college controlled housing.

The Customer, who is requesting Lifeline Assistance Service, must provide to the Telephone Company a signed document, certifying under penalty of perjury, that he or she is receiving benefits from one of the programs specified above, identifying the program or programs from which he or she is receiving benefits, and agreeing to notify the Telephone Company when they no longer participate in the program or programs. The same document can be used for Link-Up Missouri eligibility.

Lifeline Assistance Service can only be associated with the primary residential connection.

Lifeline Toll Restriction Service is available on a voluntary basis where technically feasible to Lifeline Assistance Service Customers at no charge. Lifeline Toll Restriction Service prevents 0+, 00-, 1+NPA-NXX-XXXX, 1010XXXX, International (01+), Directory Assistance (411, 1+411, 0+411, 555-1212, 1+/0+ 555-1212, 1+/0+ NPA-555-1212), 1+900 calls, 1+700 calls, 976 calls and IntraLATA toll while allowing access to local, 611, 911, 0-, 1+800/888 etc., 950-XXXX and 1+950-XXXX calls and EAS calls.

Access to Directory Assistance is available to Lifeline customers by dialing 0-. Access to Service Activation Codes "*##"(e.g. *66, *69) is also allowed. Upon Customer request, some Service Activation Codes may be blocked at no charge, where conditions and facilities permit.

Deposit requirements do not apply to a Lifeline Assistance Service customer if the customer voluntarily elects Lifeline Toll Restriction Service.

Lifeline Assistance Service may not be disconnected for non-payment of toll charges.

Funding for Lifeline service is obtained from a universal service support mechanism to which all telecommunications carriers that provide interstate telecommunications services contribute on an equitable and nondiscriminatory basis.

3. Rate - Monthly Recurring Charge (MRC)

Lifeline Rate[5]	$8.95

Service Includes:

- 1 Line Only
- No Features included

Note: Lifeline customers will have a net charge of $0.00 as shown below after the application of various credits

[5] The rates for main service do not include a telephone instrument.

Lifeline Price	$8.95
Lifeline Credits Applied – Federal	-$8.95
Lifeline net price	**$0.00**

1.8.5 Link-Up Missouri

1. Description
The Link-Up Missouri Service Connection Program is a Federal Lifeline assistance program applicable to eligible residential subscribers as defined below, and designed to promote subscribership to the telephone network among low-income residential households.

2. Application
Subscribers eligible for Lifeline Service as described above, may also be eligible to qualify for the Link-Up Missouri Service Connection Program.

3. Rates – Monthly Recurring Charge (MRC)

a. Service Connection Charges, as set forth in this Local Exchange Tariff, for initial installation of the main residential service access line, will be discount at a rate of fifty percent (50%), not to exceed $30.00. These reduced charges shall be assessed only for a single residential telephone line per eligible household at the principal place of residence. These charges do not include other charges that may be required at the initiation of service such as deposits, etc.

b. An interest free, four-month deferred payment schedule will be established for the charge of initiating local telephone service at the subscriber's option. The Telephone Company shall inform each eligible subscriber of the availability of this deferred payment schedule.

1.8.6 Service and Equipment Charges

Service and Equipment (S&E) charges are one-time charges associated with the connection, change or termination of residential local exchange service. The charges associated with S&E are as detailed below:

1. Service Connection:

• Residential Service Connection (initial installation of new facilities or relocation of existing facilities)	$30.00	
• Primary Line Activation (initial activation without installation or relocation)	$30.00	
Line Activation Charge (initial activation of additional lines without installation or relocation)	$30.00	
• Service Dispatch Charge (subsequent to initial installation)	$45.00	
• Line Deactivation Charge, per additional line	$20.00	
• Line Restoration Charge after disconnection for nonpayment/line	$60.00	
• Non-Sufficient Funds Charge (NSF)	$20.00	(T)

(M)

2. **Repair/Maintenance Truck Roll**

• Repair/Maintenance during Basic Time[7]	$115 00 per visit
• Repair/Maintenance during Overtime[8]	$175 00 per visit
• Repair/Maintenance during Premium[9]	$230 00 per visit

3 **Service Changes**

• Telephone Number Change	$ 20 00
• Feature Change Charge	$ 5 00
• Record Order Charge	$ 0 00
• PIC Change Fee (outPICs only for Intra/InterLATA)	$ 5 00
• PLOC Change Charge	$ 0 00
• Change to Universal Lifeline Telephone Service	$ 7 50[10]
• Directory Listing Change Charge	$ 5 00

Above rates are one-time charges and are not billed for on a "monthly recurring charge" (MRC) basis

1.8.9 Number Intercept Treatment

1 Description

If a customer changes local service providers or disconnects from his or her local exchange service provider and does not retain his current telephone number, the Telephone Company will provide a recording for thirty (30) days from the effective date of the change/cancellation which will provide a caller with either a notification of disconnection if no new telephone number is provided to the Telephone Company or with the new telephone number of the end user if the new number is provided to the Telephone Company An additional thirty (30) days of notification may be requested by the customer at the below rate

2 Rate - Monthly Recurring Charge (MCA)

No charge for first thirty (30) days requested

Up to thirty (30) additional days available - Rate $2 00/line

Number intercept treatment will not be provided beyond sixty (60) days

[7] Basic 7am - 9pm Monday – Saturday
[8] Overtime 9pm - 7am Saturday - Monday Morning
[9] Premium National Holidays
[10] Waived once during a 12-month period

1.8.10 Local Operator Services

(M)

Operator- Assisted Calls

1 Description

The Telephone Company furnishes operator assistance via a third-part provider This service provides Customers with assistance using operators or the automated Interactive Voice System (IVS) whereby Customers may request assistance in dialing a local number, requesting a local person-to-person call, billing a local call to a calling card, a third number or as a collect call

2 Regulation

a Telephone Company will not bill for incomplete calls where answer supervision is available Telephone Company will not bill for incomplete calls and will remove any charges for incomplete calls upon (i) subscriber notification or (ii) Telephone Company's knowledge
b The caller and billed party, if different from the caller, will be advised that the Telephone Company is the operator service provider at the initial contact
c Rate quotes will be given upon request, at no charge, including all rate components and any additional charges
d Only Local Exchange Tariffed rates approved by this Commission for Telephone Company shall appear on any local exchange Telephone Company (LEC) billings
e Telephone Company shall be listed on the LEC billing
f Telephone Company will employ reasonable calling card verification procedures, acceptable to the Telephone Company issuing the calling card [11]
g Telephone Company will route all 0 – or 00 – emergency calls in the quickest possible manner to the appropriate local emergency service provider, at no charge
h Upon request, Telephone Company will transfer calls to another authorized interexchange Telephone Company or to the LEC, if billing can list the caller's actual origination point
i Telephone Company will refuse operator services to traffic aggregators that block access to other Companies
j Telephone Company will assure that traffic aggregators post and display information reflecting
(1) that Telephone Company is the operator service provider,
(2) detailed complaint procedures, and
(3) instructions informing the caller on procedures to reach the operator and other authorized interexchange companies

3 Rates

Operator-Assisted calls will be billed on a "per-use" basis -

$1 10/per call

The above rates are in addition to applicable local or toll message usage charges when originating at and billed to that telephone number

[11] Telephone Company does not provision their own calling cards at this time

4. Exemptions (M)

   a. Those Customers whose physical, visual, mental or reading disabilities prevent them from completing local calls without operator assistance are to be exempted from any charges.

   b. Local calls originating from manual mobile and marine stations are to be exempted from the charges specified in 3. above.

   c. Local calls established by an operator due to trouble in the network.

Line Status Verification and Busy Line Interrupt

1. Description

   The Telephone Company furnishes Line Status Verification and Busy Line Interrupt Service to customers upon request to provide line status or busy interrupt of a requested access line.

   The provision of Line Status Verification involves a Telephone Company-provided operator determining the condition of an access line that a customer requests be checked. The status of the access line is verified to the requesting customer.

   The provision of Busy Line Interrupt involved a Telephone Company-provided operator interrupting a conversation in progress to ascertain willingness to establish conversation with an alternate party.

2. Regulation

   a. This Service is provided where facilities exist for line status and busy interrupt through a Telephone Company-provided operator.

   b. No request will be processed on a collect or reversal-of-charge or person-to-person basis. However, in the case of an Emergency Busy Line Interrupt, the caller may bill collect, if necessary.

   c. **The rates set forth for Line Status Verification and Busy Line Interrupt are in addition to the rates associated with Local or Long Distance Services.**

   d. The charge for Busy Line Interrupt applies whenever the operator interrupts the conversation even though one or the other parties interrupted refuses to terminate the conversation in progress.

3. Rate – Per Use

   The rates set forth below apply to calls from customers who request local or intraLATA intrastate assistance in determining line status or attempted interruption of a conversation in progress.

a. Line Status Verification, per request	$20.00	(I)
b. Busy Line Interrupt, per request	$20.00	(I)

   If the line verified is not in use or as the result of interrupt the line is cleared, and at the calling party's request the operator completes the call, the applicable Operator Assistance Service Charges apply in addition to the Line Status Verification or Busy Line Interrupt Charge.

4. Exemptions

Charges for Line Status Verification and Busy Line Interrupt are not applicable to calls placed from authorized emergency agencies. Police, Fire, Ambulance and 911/911-Like agencies are those agencies that qualify for this exemption.

1.8.11 Directory Assistance

1. Description

Telephone Company will provide end user with access to Directory Assistance for obtaining telephone numbers. Charges associated with obtaining Directory Assistance information are detailed below:

2. Rate - $ .75/per call (I)

3. Exemptions

Those Customers whose physical, visual, mental or reading disabilities prevent them from using the telephone directory are to be exempted from the charge for direct-dialed calls to Directory Assistance and from the charge for placing a call to Directory Assistance via an Operator. The method of exempting those physically, visually, and mentally or reading disable Customers shall be via the completion of an exemption from supplied by the Telephone Company and the Telephone Company's acceptance of that form.

1.8.12 Metropolitan Calling Area (MCA) Service

1. General

Metropolitan Calling Area (MCA) service is provided to customers in the Telephone Company's exchange areas, namely, St. Charles, Harvester, Chesterfield, Pond, Manchester, Eureka, Valley Park, Fenton, High Ridge, Sappington, Webster Groves, Kirkwood, Mehlville, Melrose, Flanders, Pacific, St. Peters, Dardenne, O'Fallon and Wentzville. Non-Ported Telephone Company Customers must have the MCA overlay subscription in addition to their basic service. Only one charge is applied to the customer's account regardless of the number of lines the Customer has requested. All lines ordered by the Telephone Company's customer will provide an MCA overlay.

The basic local calling scope for each of these exchanges is the MCA-wide calling scope as detailed in this Local Exchange Tariff.

The charges for MCA apply to the main billed telephone number. MCA will be furnished on all additional lines at no additional charge.

2. Regulations

Unless otherwise specified in these regulations, MCA is offered to all classes and grades of residence customers located in the Telephone Company's MCA exchanges.

MCA is designed and intended for the exclusive use of the end user Customers of the Telephone Company. MCA is not to be shared, resold or used in any configuration of customer-provided equipment with the intent of reselling the service.

Customers include all customers of incumbent local exchange carriers and, pursuant to the Missouri Public Service Commission Report and Order in Case No. TO-99-483, all Customers of competitive local exchange carriers.

MCA subscribers include all Customers of incumbent local exchange carriers and competitive Local exchange carriers being served by dedicated NXX codes identified as MCA NXX codes Pursuant to the Missouri Public Service Commission's Report and order in Case no. TO-99-483.

In situations where multiple access lines share the same working telephone number, if one such line subscribes to MCA service, then all lines must subscribe to MCA service.

The minimum service period for subscription is the same as for Basic Service.

For hosted numbers in MCA-3, the Customer must subscribe to MCA to receive the basic telephone service.

3. Rate – monthly Recurring Charge (MRC)

An extended metropolitan calling area is added to all Telephone Company packages at the rate of $10.95 a month/per account (MCA 3), $12.35 a month/per account (MCA 4), **(R)**
$19.95 a month/per account (MCA 5). **(M)**

The MCA monthly rates are billed one month in advance. MCA rates and charges apply in addition to all other rates and charges paid by the customer for other services of the Telephone Company.

Only one MCA charge is applied to customer's bill regardless of the number of lines he may have in service.

Appendix A

1. General

1.1 The telephone company will offer one month free service (including the cost of the basic line and MCA) and free installation for the period beginning on October 1, 2002 and ending on February 28, 2003. This promotion will be available to customers who have not had service with the Telephone Company in the previous six months. This promotion will be available in all exchange areas where the Telephone Company provides service under this P.S.C. Mo-No. 1 tariff and pursuant to the general terms listed in section of 1.8.

Appendix A

2. Non-MCA Port Promotion

2.1 The telephone company will offer free installation for non-MCA ported telephone number service for the period beginning on November 2, 2002 and ending on February 23, 2003. This promotion will be available to customers who have not had service with the Telephone Company in the previous six months. This promotion will be available in all exchange areas where the Telephone Company provides service under this P.S.C. MO-No. 1 tariff and pursuant to the general items listed in Section 1.8.

Appendix A

3. Free Installation

3.1 The Telephone Company will offer free installation (up to one jack, excluding any special construction charges) for all telephone customers for the period beginning October 18, 2004 through December 31, 2005. This promotion will be available to customers who have not had service with the Telephone Company in the previous thirty (30) days or longer. This promotion will be available in all exchange areas where the Telephone Company provides service under the P.S.C. MO-No.1 tariff pursuant to the general terms of P.S.C. MO-No.1. This promotion may be combined with the existing First Month Basic Local Service for Free offer (see Appendix A, Page 6, Section 6.1). (T) (T) (T)

(D)

Appendix A

4. First Month Service for $1.00

4.1 The Telephone Company will offer the first month local telephone service and MCA for $1.00 (basic line plus MCA only, excludes all feature packs and *ala cart* services) for all telephone customers for the period beginning on July 2, 2003 and ending on September 30, 2003. This offer applies only to a single primary line and excludes all additional lines. This promotion applies to all hosted and ported telephone numbers. This offer may be combined with the existing Free Installation promotion valid from March 13, 2003 through March 12, 2004 (see Appendix A, Original Page 3, Section 3.1). This promotion will be available to customers who have not had service with the Telephone Company in the previous six months. This promotion will be available in all exchange areas where the Telephone Company provides service under this P.S.C. MO-No. 1 tariff and pursuant to the general terms of P.S.C. MO-No. 1.

Appendix A

5. First Month Service for $1.00

5.1 The Telephone Company will offer the first month local telephone service and MCA for $1.00 (basic line plus MCA only, excludes all feature packs and *ala cart* services) for all telephone customers for the period beginning on November 26, 2003 and ending on December 31, 2003. This offer applies only to a single primary line and excludes all additional lines. This promotion applies to all hosted and ported telephone numbers. This offer may be combined with the existing Free Installation promotion valid from March 13, 2003 through March 12, 2004 (see Appendix A, Original Page 3, Section 3.1). This promotion will be available to customers who have not had service with the Telephone Company in the previous six months. This promotion will be available in all exchange areas where the Telephone Company provides service under this P.S.C. MO-No. 1 tariff and pursuant to the general terms of P.S.C. MO-No. 1.

Appendix A

6 First Month Basic Local Service for Free

6.1 The Telephone Company will offer the first month basic local telephone service and MCA at no charge (basic line plus MCA where applicable, excluding all features which will be sold *ala carte* at the current rates) for the period beginning January 1, 2004 and ending on January 31, 2005. This offer applies only to a single **(T)** primary line and excludes all additional lines. This promotion applies to all hosted and ported telephone numbers. This promotion may be combined with the current feature packages offered and with the Free Installation promotion valid through December 31, 2005 (see Appendix A, 3rd Revised Page 3, Section 3.1). This promotion will be available to customers who have not had service with the Telephone Company in the previous six months. This promotion will be available in all exchange areas where the Telephone Company provides service under this P.S.C. MO-No.1 tariff and pursuant to the general terms of P.S.C. MO – No.1

Appendix A

(D)

(D)

Appendix A

(D)

(D)

EXHIBIT 3

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

Applicant is not certificated and is not seeking certification to provide telecommunications and data communications services in any other state. However, Applicant has numerous affiliates who are certificated, or are seeking certification, to provide services similar to those described herein in the following states:

Certificated/Authorized Affiliates:

Affiliate	*State*	*Authorized Service*
Charter Fiberlink - Alabama, LLC	Alabama	CLEC, IXC
Charter Fiberlink AR – CCVII, LLC	Arkansas	CLEC, IXC
Charter Fiberlink CA – CCO, LLC	California	CLEC, IXC
Charter Fiberlink CA – CCVII, LLC	California	CLEC, IXC
Charter Fiberlink CO – CCO, LLC	Colorado	CLEC, IXC
Charter Fiberlink CT - CCO, LLC	Connecticut	CLEC, IXC
Charter Fiberlink - Georgia, LLC	Georgia	CLEC, IXC
Charter Fiberlink ID - CCVII, LLC	Idaho	IXC
Charter Fiberlink - Illinois, LLC	Illinois	CLEC, IXC
Charter Fiberlink IN – CCO, LLC	Indiana	CLEC, IXC
Charter Fiberlink KS - CCO, LLC	Kansas	CLEC, IXC
Charter Fiberlink - Kentucky, LLC	Kentucky	CLEC, IXC
Charter Fiberlink LA – CCO, LLC	Louisiana	CLEC, IXC
Charter Fiberlink MA - CCO, LLC	Massachusetts	CLEC, IXC
Charter Fiberlink - Michigan, LLC	Michigan	CAP, CLEC, IXC
Charter Fiberlink, LLC	Minnesota	CLEC, IXC
Charter Fiberlink MS – CCVI, LLC	Mississippi	CLEC, IXC
Charter Fiberlink - Missouri, LLC	Missouri	CLEC, IXC
Charter Fiberlink - Nebraska, LLC	Nebraska	CLEC, IXC
Charter Fiberlink NV – CCVII, LLC	Nevada	CLEC, IXC
Charter Fiberlink NH – CCO, LLC	New Hampshire	IXC
Charter Fiberlink NM – CCO, LLC	New Mexico	CLEC, IXC
Charter Fiberlink NY - CCO, LLC	New York	CLEC, IXC
Charter Fiberlink NY - CCVII, LLC	New York	CLEC, IXC
Charter Fiberlink NC - CCO, LLC	North Carolina	CLEC, IXC
Charter Fiberlink NC - CCVII, LLC	North Carolina	CLEC, IXC
Charter Fiberlink OH – CCO, LLC	Ohio	PRIVATE LINE
Charter Fiberlink OK – CCVII, LLC	Oklahoma	CLEC, IXC
Charter Fiberlink OR - CCVII, LLC	Oregon	CLEC, IXC
Charter Fiberlink SC - CCO, LLC	South Carolina	CLEC, IXC
Charter Fiberlink SC - CCVII, LLC	South Carolina	CLEC, IXC
Charter Fiberlink - Tennessee, LLC	Tennessee	CLEC, IXC
Charter Fiberlink TX - CCO, LLC	Texas	CLEC, IXC
Charter Fiberlink VA – CCO, LLC	Virginia	CLEC, IXC
Charter Fiberlink VT - CCO, LLC	Vermont	CLEC, IXC
Charter Fiberlink WA- CCVII, LLC	Washington	CLEC, IXC
Charter Fiberlink WV – CCO, LLC	West Virginia	CLEC, IXC
Charter Fiberlink, LLC	Wisconsin	CLEC, IXC

Affiliates with certification pending:

Charter Fiberlilnk NH – CCO, LLC	New Hampshire	CLEC

ATTACHMENT"A" SUPPLEMENT

OFFICERS AND DIRECTORS

A list of Applicant's officers and directors is as follows:

NAME	TITLE	ADDRESS
Neil Smit	President and Chief Executive Officer	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
Wayne H. Davis	Executive Vice President and Chief Technical Officer	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
Sue Ann R. Hamilton	Executive Vice President, Programming	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
Michael J. Lovett	Executive Vice President and Chief Operating Officer	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
David C. Andersen	Senior Vice President, Communications	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
Thomas J. Hearity	Senior Vice President & Acting General Counsel	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
Paul E. Martin	Interim Chief Financial Officer, Senior Vice President & Controller	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
Lynn F. Ramsey	Senior Vice President, Human Resources	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674
Willie J. Epps, Jr.	Vice President & Chief Compliance Officer	Charter Fiberlink AZ - CCVII, LLC 12405 Powerscourt Drive St. Louis, Missouri 63131-3674

EXHIBIT 4

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _________

Commission file number: 000-27927

Charter Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware	43-1857213
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

12405 Powerscourt Drive
St. Louis, Missouri 63131
(Address of principal executive offices including zip code)

(314) 965-0555
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES [X] NO [ ]

Number of shares of Class A common stock outstanding as of June 30, 2005: 304,941,082
Number of shares of Class B common stock outstanding as of June 30, 2005: 50,000

Charter Communications, Inc.
Quarterly Report on Form 10-Q for the Period ended June 30, 2005

Table of Contents

This quarterly report on Form 10-Q is for the three and six months ended June 30, 2005. The Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this quarterly report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this quarterly report. In this quarterly report, "we," "us" and "our" refer to Charter Communications, Inc., Charter Communications Holding Company, LLC and their subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS:

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding, among other things, our plans, strategies and prospects, both business and financial including, without limitation, the forward-looking statements set forth in the "Results of Operations" and "Liquidity and Capital Resources" sections under Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this quarterly report. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under "Certain Trends and Uncertainties" under Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this quarterly report. Many of the forward-looking statements contained in this quarterly report may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated" and "potential" among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in this quarterly report and in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- the availability of funds to meet interest payment obligations under our debt and to fund our operations and necessary capital expenditures, either through cash flows from operating activities, further borrowings or other sources;
- our ability to sustain and grow revenues and cash flows from operating activities by offering video, high-speed Internet, telephone and other services and to maintain a stable customer base, particularly in the face of increasingly aggressive competition from other service providers;
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which would result in a violation of the applicable facility or indenture and could trigger a default of other obligations under cross-default provisions;
- our ability to pay or refinance debt as it becomes due;
- our ability to obtain programming at reasonable prices or to pass programming cost increases on to our customers;
- general business conditions, economic uncertainty or slowdown; and
- the effects of governmental regulation, including but not limited to local franchise authorities, on our business.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We are under no duty or obligation to update any of the forward-looking statements after the date of this quarterly report.

PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Charter Communications, Inc.:

We have reviewed the condensed consolidated balance sheet of Charter Communications, Inc. and subsidiaries (the "Company") as of June 30, 2005, the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2005 and 2004, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2005 and 2004. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2004, and the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows for the year then ended (not presented herein); and in our report dated March 1, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

St. Louis, Missouri
August 1, 2005

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, EXCEPT SHARE DATA)

	June 30, 2005 (Unaudited)	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 40	$ 650
Accounts receivable, less allowance for doubtful accounts of $14 and $15, respectively	183	190
Prepaid expenses and other current assets	82	82
Total current assets	305	922
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation of $6,061 and $5,311, respectively	6,075	6,289
Franchises, net	9,839	9,878
Total investment in cable properties, net	15,914	16,167
OTHER NONCURRENT ASSETS	560	584
Total assets	$ 16,779	$ 17,673
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,224	$ 1,217
Total current liabilities	1,224	1,217
LONG-TERM DEBT	19,247	19,464
DEFERRED MANAGEMENT FEES - RELATED PARTY	14	14
OTHER LONG-TERM LIABILITIES	682	681
MINORITY INTEREST	659	648
PREFERRED STOCK - REDEEMABLE; $.001 par value; 1 million shares authorized; 545,259 shares issued and outstanding	55	55
SHAREHOLDERS' DEFICIT:		
Class A Common stock; $.001 par value; 1.75 billion shares authorized; 304,941,082 and 305,203,770 shares issued and outstanding, respectively	--	--
Class B Common stock; $.001 par value; 750 million shares authorized; 50,000 shares issued and outstanding	--	--
Preferred stock; $.001 par value; 250 million shares authorized; no non-redeemable shares issued and outstanding	--	--
Additional paid-in capital	4,802	4,794

Accumulated deficit		(9,905)		(9,196)
Accumulated other comprehensive loss		1		(4)
Total shareholders' deficit		(5,102)		(4,406)
Total liabilities and shareholders' deficit	$	16,779	$	17,673

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
REVENUES	$ 1,323	$ 1,239	$ 2,594	$ 2,453
COSTS AND EXPENSES:				
Operating (excluding depreciation and amortization)	569	515	1,128	1,027
Selling, general and administrative	256	244	493	483
Depreciation and amortization	378	364	759	734
Asset impairment charges	8	--	39	--
(Gain) loss on sale of assets, net	--	2	4	(104)
Option compensation expense, net	4	12	8	26
Special charges, net	(2)	87	2	97
	1,213	1,224	2,433	2,263
Income from operations	110	15	161	190
OTHER INCOME AND EXPENSES:				
Interest expense, net	(451)	(410)	(871)	(803)
Gain (loss) on derivative instruments and hedging activities, net	(1)	63	26	56
Loss on debt to equity conversions	--	(15)	--	(23)
Gain (loss) on extinguishment of debt	1	(21)	8	(21)
Gain on investments	20	2	21	--
	(431)	(381)	(816)	(791)
Loss before minority interest and income taxes	(321)	(366)	(655)	(601)
MINORITY INTEREST	(3)	(6)	(6)	(10)
Loss before income taxes	(324)	(372)	(661)	(611)
INCOME TAX EXPENSE	(31)	(43)	(46)	(97)
Net loss	(355)	(415)	(707)	(708)
Dividends on preferred stock - redeemable	(1)	(1)	(2)	(2)
Net loss applicable to common stock	$ (356)	$ (416)	$ (709)	$ (710)
LOSS PER COMMON SHARE, basic and diluted	$ (1.18)	$ (1.39)	$ (2.34)	$ (2.39)

Weighted average common shares outstanding, basic and diluted	303,620,347	300,522,815	303,465,474	297,814,091

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS)
Unaudited

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (707)	$ (708)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Minority interest	6	10
Depreciation and amortization	759	734
Asset impairment charges	39	--
Option compensation expense, net	8	22
Special charges, net	(2)	85
Noncash interest expense	114	163
Gain on derivative instruments and hedging activities, net	(26)	(56)
(Gain) loss on sale of assets, net	4	(104)
Loss on debt to equity conversions	--	23
(Gain) loss on extinguishment of debt	(14)	18
Gain on investments	(21)	--
Deferred income taxes	43	95
Changes in operating assets and liabilities, net of effects from dispositions:		
Accounts receivable	1	1
Prepaid expenses and other assets	--	3
Accounts payable, accrued expenses and other	(23)	(118)
Net cash flows from operating activities	181	168
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(542)	(390)
Change in accrued expenses related to capital expenditures	45	(52)
Proceeds from sale of assets	8	729
Purchases of investments	(3)	(12)
Proceeds from investments	17	--
Other, net	(2)	(2)
Net cash flows from investing activities	(477)	273
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	635	2,813
Repayments of long-term debt	(946)	(3,160)
Payments for debt issuance costs	(3)	(97)
Net cash flows from financing activities	(314)	(444)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(610)	(3)
CASH AND CASH EQUIVALENTS, beginning of period	650	127

CASH AND CASH EQUIVALENTS, end of period	$ 40	$ 124
CASH PAID FOR INTEREST	$ 744	$ 609
NONCASH TRANSACTIONS:		
Issuance of debt by Charter Communications Operating, LLC	$ 333	$ --
Retirement of Charter Communications Holdings, LLC debt	$ (346)	$ --
Debt exchanged for Charter Class A common stock	$ --	$ 30

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

1. Organization and Basis of Presentation

Charter Communications, Inc. ("Charter") is a holding company whose principal assets at June 30, 2005 are the 47% controlling common equity interest in Charter Communications Holding Company, LLC ("Charter Holdco") and "mirror" notes which are payable by Charter Holdco to Charter and have the same principal amount and terms as those of Charter's convertible senior notes. Charter Holdco is the sole owner of Charter Communications Holdings, LLC ("Charter Holdings"). The condensed consolidated financial statements include the accounts of Charter, Charter Holdco, Charter Holdings and all of their subsidiaries where the underlying operations reside, collectively referred to herein as the "Company." Charter consolidates Charter Holdco on the basis of voting control. Charter Holdco's limited liability company agreement provides that so long as Charter's Class B common stock retains its special voting rights, Charter will maintain a 100% voting interest in Charter Holdco. Voting control gives Charter full authority and control over the operations of Charter Holdco. All significant intercompany accounts and transactions among consolidated entities have been eliminated. The Company is a broadband communications company operating in the United States. The Company offers its customers traditional cable video programming (analog and digital video) as well as high-speed Internet services and, in some areas, advanced broadband services such as high definition television, video on demand and telephone. The Company sells its cable video programming, high-speed Internet and advanced broadband services on a subscription basis. The Company also sells local advertising on satellite-delivered networks.

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures typically included in Charter's Annual Report on Form 10-K have been condensed or omitted for this quarterly report. The accompanying condensed consolidated financial statements are unaudited and are subject to review by regulatory authorities. However, in the opinion of management, such financial statements include all adjustments, which consist of only normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. Interim results are not necessarily indicative of results for a full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant judgments and estimates include capitalization of labor and overhead costs; depreciation and amortization costs; impairments of property, plant and equipment, franchises and goodwill; income taxes; and contingencies. Actual results could differ from those estimates.

Reclassifications

Certain 2004 amounts have been reclassified to conform with the 2005 presentation.

2. Liquidity and Capital Resources

The Company incurred net loss applicable to common stock of $356 million and $416 million for the three months ended June 30, 2005 and 2004, respectively, and $709 million and $710 million for the six months ended June 30, 2005 and 2004, respectively. The Company's net cash flows from operating activities were $181 million and $168 million for the six months ended June 30, 2005 and 2004, respectively.

The Company has a significant level of debt. The Company's long-term financing as of June 30, 2005 consists of $5.4 billion of credit facility debt, $12.9 billion accreted value of high-yield notes and $863 million accreted value of convertible senior notes. For the remainder of 2005, $15 million of the Company's debt matures, and in 2006, an additional $55 million of the Company's debt matures. In 2007 and beyond, significant additional amounts will become due under the Company's remaining long-term debt obligations.

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The Company has historically required significant cash to fund debt service costs, capital expenditures and ongoing operations. Historically, the Company has funded these requirements through cash flows from operating activities, borrowings under its credit facilities, sales of assets, issuances of debt and equity securities and from cash on hand. However, the mix of funding sources changes from period to period. For the six months ended June 30, 2005, the Company generated $181 million of net cash flows from operating activities, after paying cash interest of $744 million. In addition, the Company used approximately $542 million for purchases of property, plant and equipment. Finally, the Company had net cash flows used in financing activities of $314 million, which included, among other things, approximately $705 million in repayment of borrowings under the Company's revolving credit facility. This repayment was the primary reason cash on hand decreased by $610 million to $40 million at June 30, 2005.

The Company expects that cash on hand, cash flows from operating activities and the amounts available under its credit facilities will be adequate to meet its cash needs for the remainder of 2005. Cash flows from operating activities and amounts available under the Company's credit facilities may not be sufficient to fund the Company's operations and satisfy its principal repayment obligations that come due in 2006 and, the Company believes, will not be sufficient to fund its operations and satisfy such repayment obligations thereafter.

It is likely that the Company will require additional funding to repay debt maturing after 2006. The Company is working with its financial advisors to address such funding requirements. However, there can be no assurance that such funding will be available to the Company. Although Mr. Allen and his affiliates have purchased equity from the Company in the past, Mr. Allen and his affiliates are not obligated to purchase equity from, contribute to or loan funds to the Company in the future.

Credit Facilities and Covenants

The Company's ability to operate depends upon, among other things, its continued access to capital, including credit under the Charter Communications Operating, LLC ("Charter Operating") credit facilities. These credit facilities, along with the Company's indentures, contain certain restrictive covenants, some of which require the Company to maintain specified financial ratios and meet financial tests and to provide audited financial statements with an unqualified opinion from the Company's independent auditors. As of June 30, 2005, the Company was in compliance with the covenants under its indentures and credit facilities and the Company expects to remain in compliance with those covenants for the next twelve months. As of June 30, 2005, the Company had borrowing availability under the credit facilities of $870 million, none of which was restricted due to covenants. Continued access to the Company's credit facilities is subject to the Company remaining in compliance with the covenants of these credit facilities, including covenants tied to the Company's operating performance. If the Company's operating performance results in non-compliance with these covenants, or if any of certain other events of non-compliance under these credit facilities or indentures governing the Company's debt occurs, funding under the credit facilities may not be available and defaults on some or potentially all of the Company's debt obligations could occur. An event of default under the covenants governing any of the Company's debt instruments could result in the acceleration of its payment obligations under that debt and, under certain circumstances, in cross-defaults under its other debt obligations, which could have a material adverse effect on the Company's consolidated financial condition or results of operations.

The Charter Operating credit facilities required the Company to redeem the CC V Holdings, LLC notes as a result of the Charter Holdings leverage ratio becoming less than 8.75 to 1.0. In satisfaction of this requirement, in March 2005, CC V Holdings, LLC redeemed all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption. The total cost of the redemption including accrued and unpaid interest was approximately $122 million. The Company funded the redemption with borrowings under the Charter Operating credit facilities.

Specific Limitations

Charter's ability to make interest payments on its convertible senior notes, and, in 2006 and 2009, to repay the outstanding principal of its convertible senior notes of $25 million and $863 million, respectively, will depend on its ability to raise additional capital and/or on receipt of payments or distributions from Charter Holdco or its subsidiaries,

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including CCH II, LLC ("CCH II"), CCO Holdings, LLC ("CCO Holdings") and Charter Operating. Distributions by Charter's subsidiaries to a parent company (including Charter and Charter Holdco) for payment of principal on Charter's convertible senior notes, however, are restricted by the indentures governing the CCH II notes, CCO Holdings notes, and Charter Operating notes, unless under their respective indentures there is no default and a specified leverage ratio test is met at the time of such event. During the six months ended June 30, 2005, Charter Holdings distributed $60 million to Charter Holdco. As of June 30, 2005, Charter Holdco was owed $62 million in intercompany loans from its subsidiaries, which amount was available to pay interest and principal on Charter's convertible senior notes. In addition, Charter has $122 million of governmental securities pledged as security for the next five semi-annual interest payments on Charter's 5.875% convertible senior notes.

The indentures governing the Charter Holdings notes permit Charter Holdings to make distributions to Charter Holdco for payment of interest or principal on the convertible senior notes, only if, after giving effect to the distribution, Charter Holdings can incur additional debt under the leverage ratio of 8.75 to 1.0, there is no default under Charter Holdings' indentures and other specified tests are met. For the quarter ended June 30, 2005, there was no default under Charter Holdings' indentures and other specified tests were met. However, Charter Holdings did not meet the leverage ratio of 8.75 to 1.0 based on June 30, 2005 financial results. As a result, distributions from Charter Holdings to Charter or Charter Holdco are currently restricted and will continue to be restricted until that test is met. During this restriction period, the indentures governing the Charter Holdings notes permit Charter Holdings and its subsidiaries to make specified investments in Charter Holdco or Charter, up to an amount determined by a formula, as long as there is no default under the indentures.

In accordance with the registration rights agreement entered into with their initial sale, the Company was required to register for resale by April 21, 2005 its 5.875% convertible senior notes due 2009, issued in November 2004. Since these convertible notes were not registered by that date, the Company paid or will pay liquidated damages totaling $0.5 million through July 14, 2005, the day prior to the effective date of the registration statement. In addition, in accordance with the share lending agreement entered into in connection with the initial sale of its 5.875% convertible senior notes due 2009, Charter was required to register by April 1, 2005 150 million shares of its Class A common stock that Charter was obligated to lend to Citigroup Global Markets Limited ("CGML") at CGML's request. Because this registration statement was not declared effective by such date, the Company paid or will pay liquidated damages totaling $11 million from April 2, 2005 through July 17, 2005, the day before the effective date of the registration statement. The liquidated damages were recorded as interest expense in the accompanying condensed consolidated statements of operations.

3. Sale of Assets

As of June 30, 2005, the Company has concluded it is probable that three pending cable asset sales, representing approximately 33,000 customers, will close within the next twelve months thus meeting the criteria for assets held for sale under Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. As such the assets were written down to fair value less estimated costs to sell resulting in asset impairment charges during the three and six months ended June 30, 2005 of approximately $8 million and $39 million, respectively. At June 30, 2005 assets held for sale, included in investment in cable properties, are approximately $40 million.

In March 2004, the Company closed the sale of certain cable systems in Florida, Pennsylvania, Maryland, Delaware and West Virginia to Atlantic Broadband Finance, LLC. The Company closed the sale of an additional cable system in New York to Atlantic Broadband Finance, LLC in April 2004. These transactions resulted in a $106 million pretax gain recorded as a gain on sale of assets in the Company's consolidated statements of operations. The total net proceeds from the sale of all of these systems were approximately $735 million. The proceeds were used to repay a portion of amounts outstanding under the Company's revolving credit facility.

Gain on investments for the three and six months ended June 30, 2005 primarily represents a gain realized on an exchange of the Company's interest in an equity investee for an investment in a larger enterprise.

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4. Franchises and Goodwill

Franchise rights represent the value attributed to agreements with local authorities that allow access to homes in cable service areas acquired through the purchase of cable systems. Management estimates the fair value of franchise rights at the date of acquisition and determines if the franchise has a finite life or an indefinite-life as defined by SFAS No. 142, *Goodwill and Other Intangible Assets*. Franchises that qualify for indefinite-life treatment under SFAS No. 142 are tested for impairment annually based on valuations, or more frequently as warranted by events or changes in circumstances. Such test resulted in a total franchise impairment of approximately $3.3 billion during the third quarter of 2004. Franchises are aggregated into essentially inseparable asset groups to conduct the valuations. The asset groups generally represent geographic clustering of the Company's cable systems into groups by which such systems are managed. Management believes such grouping represents the highest and best use of those assets.

The Company's valuations, which are based on the present value of projected after tax cash flows, result in a value of property, plant and equipment, franchises, customer relationships and its total entity value. The value of goodwill is the difference between the total entity value and amounts assigned to the other assets.

Franchises, for valuation purposes, are defined as the future economic benefits of the right to solicit and service potential customers (customer marketing rights), and the right to deploy and market new services such as interactivity and telephone to the potential customers (service marketing rights). Fair value is determined based on estimated discounted future cash flows using assumptions consistent with internal forecasts. The franchise after-tax cash flow is calculated as the after-tax cash flow generated by the potential customers obtained and the new services added to those customers in future periods. The sum of the present value of the franchises' after-tax cash flow in years 1 through 10 and the continuing value of the after-tax cash flow beyond year 10 yields the fair value of the franchise.

The Company follows the guidance of EITF Issue 02-17, *Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination,* in valuing customer relationships. Customer relationships, for valuation purposes, represent the value of the business relationship with existing customers and are calculated by projecting future after-tax cash flows from these customers including the right to deploy and market additional services such as interactivity and telephone to these customers. The present value of these after-tax cash flows yields the fair value of the customer relationships. Substantially all acquisitions occurred prior to January 1, 2002. The Company did not record any value associated with the customer relationship intangibles related to those acquisitions. For acquisitions subsequent to January 1, 2002 the Company did assign a value to the customer relationship intangible, which is amortized over its estimated useful life.

As of June 30, 2005 and December 31, 2004, indefinite-lived and finite-lived intangible assets are presented in the following table:

	June 30, 2005			December 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises with indefinite lives	$ 9,806	$ --	$ 9,806	$ 9,845	$ --	$ 9,845
Goodwill	52	--	52	52	--	52
	$ 9,858	$ --	$ 9,858	$ 9,897	$ --	$ 9,897
Finite-lived intangible assets:						
Franchises with finite lives	$ 39	$ 6	$ 33	$ 37	$ 4	$ 33

Franchises with indefinite lives decreased $39 million as a result of the asset impairment charges recorded related to three pending cable asset sales (see Note 3). Franchise amortization expense for the three and six months ended June

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30, 2005 and 2004 was $1 million and $2 million, respectively, which represents the amortization relating to franchises that did not qualify for indefinite-life treatment under SFAS No. 142, including costs associated with franchise renewals. The Company expects that amortization expense on franchise assets will be approximately $3 million annually for each of the next five years. Actual amortization expense in future periods could differ from these estimates as a result of new intangible asset acquisitions or divestitures, changes in useful lives and other relevant factors.

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2005 and December 31, 2004:

	June 30, 2005	December 31, 2004
Accounts payable - trade	$ 86	$ 148
Accrued capital expenditures	110	65
Accrued expenses:		
Interest	342	324
Programming costs	285	278
Franchise-related fees	54	67
Compensation	94	66
Other	253	269
	$ 1,224	$ 1,217

6. Long-Term Debt

Long-term debt consists of the following as of June 30, 2005 and December 31, 2004:

	June 30, 2005		December 31, 2004	
	Face Value	Accreted Value	Face Value	Accreted Value
Long-Term Debt				
Charter Communications, Inc.:				
4.75% convertible senior notes due 2006	$ 25	$ 25	$ 156	$ 156
5.875% convertible senior notes due 2009	863	838	863	834
Charter Holdings:				
8.250% senior notes due 2007	105	105	451	451
8.625% senior notes due 2009	1,244	1,243	1,244	1,243
9.920% senior discount notes due 2011	1,108	1,108	1,108	1,108
10.000% senior notes due 2009	640	640	640	640
10.250% senior notes due 2010	318	318	318	318
11.750% senior discount notes due 2010	450	450	450	448
10.750% senior notes due 2009	874	874	874	874
11.125% senior notes due 2011	500	500	500	500
13.500% senior discount notes due 2011	675	629	675	589
9.625% senior notes due 2009	640	638	640	638
10.000% senior notes due 2011	710	708	710	708
11.750% senior discount notes due 2011	939	851	939	803
12.125% senior discount notes due 2012	330	275	330	259

CCH II, LLC:

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10.250% senior notes due 2010	1,601	1,601	1,601	1,601
CCO Holdings, LLC:				
8¾% senior notes due 2013	500	500	500	500
Senior floating rate notes due 2010	550	550	550	550
Charter Operating:				
8% senior second lien notes due 2012	1,100	1,100	1,100	1,100
8 3/8% senior second lien notes due 2014	733	733	400	400
Renaissance Media Group LLC:				
10.000% senior discount notes due 2008	114	116	114	116
CC V Holdings:				
11.875% senior discount notes due 2008	--	--	113	113
Credit Facilities				
Charter Operating	5,445	5,445	5,515	5,515
	$ 19,464	$ 19,247	$ 19,791	$ 19,464

The accreted values presented above represent the face value of the notes less the original issue discount at the time of sale plus the accretion to the balance sheet date.

Gain (loss) on extinguishment of debt

In March and June 2005, Charter Operating consummated exchange transactions with a small number of institutional holders of Charter Holdings 8.25% senior notes due 2007 pursuant to which Charter Operating issued, in private placements, approximately $333 million principal amount of new notes with terms identical to Charter Operating's 8.375% senior second lien notes due 2014 in exchange for approximately $346 million of the Charter Holdings 8.25% senior notes due 2007. The exchanges resulted in a loss on extinguishment of debt of approximately $1 million for the three months ended June 30, 2005 and a gain on extinguishment of debt of approximately $10 million for the six months ended June 30, 2005. The Charter Holdings notes received in the exchange were thereafter distributed to Charter Holdings and cancelled.

During the three and six months ended June 30, 2005, the Company repurchased, in private transactions, from a small number of institutional holders, a total of $97 million and $131 million, respectively, principal amount of its 4.75% convertible senior notes due 2006. These transactions resulted in a net gain on extinguishment of debt of approximately $3 million and $4 million for the three and six months ended June 30, 2005, respectively.

In March 2005, Charter's subsidiary, CC V Holdings, LLC, redeemed all of its 11.875% notes due 2008, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption. The total cost of redemption was approximately $122 million and was funded through borrowings under the Charter Operating credit facilities. The redemption resulted in a loss on extinguishment of debt for the six months ended June 30, 2005 of approximately $5 million. Following such redemption, CC V Holdings, LLC and its subsidiaries (other than non-guarantor subsidiaries) guaranteed the Charter Operating credit facilities and granted a lien on all of their assets as to which a lien can be perfected under the Uniform Commercial Code by the filing of a financing statement.

7. Minority Interest and Equity Interest of Charter Holdco

Charter is a holding company whose primary asset is a controlling equity interest in Charter Holdco, the indirect owner of the Company's cable systems, and $863 million and $990 million at June 30, 2005 and December 31, 2004, respectively, of mirror notes which are payable by Charter Holdco to Charter and have the same principal amount and terms as those of Charter's convertible senior notes. Minority interest on the Company's consolidated balance sheets represents the ownership percentage of Charter Holdco not owned by Charter, or approximately 53% of total members' equity of Charter Holdco, plus $662 million and $656 million of preferred membership interests in CC VIII, LLC ("CC VIII"), an indirect subsidiary of Charter Holdco, as of June 30, 2005 and December 31, 2004, respectively. As more fully described in Note 17, this preferred interest arises from the approximately $630 million of preferred

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membership units issued by CC VIII in connection with an acquisition in February 2000 and continues to be the subject of a dispute between Charter and Mr. Paul G. Allen, Charter's Chairman and controlling shareholder. Generally, operating earnings or losses are allocated to the minority owners based on their ownership percentage, thereby increasing or decreasing the Company's net loss, respectively. To the extent they relate to CC VIII, the allocations of earnings or losses are subject to adjustment based on the ultimate resolution of this disputed ownership. Due to the uncertainties related to the ultimate resolution, effective January 1, 2005, the Company ceased recognizing minority interest in earnings or losses of CC VIII for financial reporting purposes until such time as the resolution of the matter is determinable or other events occur. For the three and six months ended June 30, 2005, the Company's results include income of $8 million and $17 million, respectively, attributable to CC VIII.

Members' deficit of Charter Holdco was $5.1 billion and $4.4 billion as of June 30, 2005 and December 31, 2004, respectively. Gains and losses arising from the issuance by Charter Holdco of its membership units are recorded as capital transactions, thereby increasing or decreasing shareholders' equity and decreasing or increasing minority interest on the accompanying condensed consolidated balance sheets. Minority interest was approximately 53% as of June 30, 2005 and December 31, 2004. Minority interest includes the proportionate share of changes in fair value of interest rate derivative agreements. Such amounts are temporary as they are contractually scheduled to reverse over the life of the underlying instrument. Additionally, reported losses allocated to minority interest on the consolidated statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Holdco. Because minority interest in Charter Holdco is substantially eliminated, Charter absorbs substantially all losses before income taxes that otherwise would be allocated to minority interest. Subject to any changes in Charter Holdco's capital structure, future losses will continue to be substantially absorbed by Charter.

Changes to minority interest consist of the following:

	Minority Interest
Balance, December 31, 2004	$ 648
CC VIII 2% Priority Return (see Note 17)	6
Changes in fair value of interest rate agreements	5
Balance, June 30, 2005	$ 659

8. Comprehensive Loss

Certain marketable equity securities are classified as available-for-sale and reported at market value with unrealized gains and losses recorded as accumulated other comprehensive loss on the accompanying condensed consolidated balance sheets. Additionally, the Company reports changes in the fair value of interest rate agreements designated as hedging the variability of cash flows associated with floating-rate debt obligations, that meet the effectiveness criteria of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, in accumulated other comprehensive loss, after giving effect to the minority interest share of such gains and losses. Comprehensive loss for the three months ended June 30, 2005 and 2004 was $355 million and $404 million, respectively, and $704 million and $697 million for the six months ended June 30, 2005 and 2004, respectively.

9. Accounting for Derivative Instruments and Hedging Activities

The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) to manage its interest costs. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company has agreed to exchange, at specified intervals through 2007, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate collar agreements are used to limit the Company's exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

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The Company does not hold or issue derivative instruments for trading purposes. The Company does, however, have certain interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments effectively convert variable interest payments on certain debt instruments into fixed payments. For qualifying hedges, SFAS No. 133 allows derivative gains and losses to offset related results on hedged items in the consolidated statement of operations. The Company has formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. For the three months ended June 30, 2005 and 2004, net gain (loss) on derivative instruments and hedging activities includes gains of $0 and $3 million, respectively, and for the six months ended June 30, 2005 and 2004, net gain (loss) on derivative instruments and hedging activities includes gains of $1 million and $2 million, respectively, which represent cash flow hedge ineffectiveness on interest rate hedge agreements arising from differences between the critical terms of the agreements and the related hedged obligations. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations that meet the effectiveness criteria of SFAS No. 133 are reported in accumulated other comprehensive loss. For the three months ended June 30, 2005 and 2004, a gain of $0 and $27 million, respectively, and for the six months ended June 30, 2005 and 2004, a gain of $9 million and $29 million, respectively, related to derivative instruments designated as cash flow hedges, was recorded in accumulated other comprehensive loss and minority interest. The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affects earnings (losses).

Certain interest rate derivative instruments are not designated as hedges as they do not meet the effectiveness criteria specified by SFAS No. 133. However, management believes such instruments are closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments not designated as hedges are marked to fair value, with the impact recorded as gain (loss) on derivative instruments and hedging activities in the Company's condensed consolidated statements of operations. For the three months ended June 30, 2005 and 2004, net gain (loss) on derivative instruments and hedging activities includes losses of $1 million and gains of $60 million, respectively, and for the six months ended June 30, 2005 and 2004, net gain (loss) on derivative instruments and heding activities includes gains of $25 million and $54 million, respectively, for interest rate derivative instruments not designated as hedges.

As of June 30, 2005 and December 31, 2004, the Company had outstanding $2.2 billion and $2.7 billion and $20 million and $20 million, respectively, in notional amounts of interest rate swaps and collars, respectively. The notional amounts of interest rate instruments do not represent amounts exchanged by the parties and, thus, are not a measure of exposure to credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

Certain provisions of the Company's 5.875% convertible senior notes issued in November 2004 were considered embedded derivatives for accounting purposes and were required to be accounted for separately from the convertible senior notes. In accordance with SFAS No. 133, these derivatives are marked to market with gains or losses recorded in interest expense on the Company's condensed consolidated statement of operations. For the three and six months ended June 30, 2005, the Company recognized $8 million and $27 million, respectively, as a reduction in interest expense related to these derivatives. At June 30, 2005 and December 31, 2004, $1 million and $10 million, respectively, is recorded in accounts payable and accrued expenses relating to the short-term portion of these derivatives and $3 million and $21 million, respectively, is recorded in other long-term liabilities related to the long-term portion.

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10. Revenues

Revenues consist of the following for the three and six months ended June 30, 2005 and 2004:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Video	$ 861	$ 846	$ 1,703	$ 1,695
High-speed Internet	226	181	441	349
Advertising sales	76	73	140	132
Commercial	69	58	134	114
Other	91	81	176	163
	$ 1,323	$ 1,239	$ 2,594	$ 2,453

11. Operating Expenses

Operating expenses consist of the following for the three and six months ended June 30, 2005 and 2004:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Programming	$ 351	$ 329	$ 709	$ 663
Advertising sales	25	25	50	48
Service	193	161	369	316
	$ 569	$ 515	$ 1,128	$ 1,027

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following for the three and six months ended June 30, 2005 and 2004:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
General and administrative	$ 225	$ 208	$ 427	$ 416
Marketing	31	36	66	67
	$ 256	$ 244	$ 493	$ 483

Components of selling expense are included in general and administrative and marketing expense.

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13. Special Charges

The Company has recorded special charges as a result of reducing its workforce, consolidating administrative offices and management realignment in 2004 and 2005. The activity associated with this initiative is summarized in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Beginning Balance	$ 6	$ 7	$ 6	$ 14
Special Charges	--	2	4	3
Payments	(2)	(3)	(6)	(11)
Balance at June 30,	$ 4	$ 6	$ 4	$ 6

For the three and six months ended June 30, 2005, special charges were offset by approximately $2 million related to an agreed upon discount in respect of the portion of the settlement consideration payable under the Stipulations of Settlement of the consolidated Federal Class Action and the Federal Derivative Action allocable to plaintiff's attorney fees and Charter's insurance carrier as a result of the election to pay such fees in cash (see Note 15).

For the three and six months ended June 30, 2004, special charges also includes approximately $85 million, which represents the aggregate value of the Charter Class A common stock and warrants to purchase Charter Class A common stock contemplated to be issued as part of the terms set forth in memoranda of understanding regarding settlement of the consolidated Federal Class Action and Federal Derivative Action. For the six months ended June 30, 2004, special charges includes approximately $9 million of litigation costs related to the tentative settlement of the South Carolina national class action suit, subject to final documentation and court approval (see Note 15).

14. Income Taxes

All operations are held through Charter Holdco and its direct and indirect subsidiaries. Charter Holdco and the majority of its subsidiaries are not subject to income tax. However, certain of these subsidiaries are corporations and are subject to income tax. All of the taxable income, gains, losses, deductions and credits of Charter Holdco are passed through to its members: Charter, Charter Investment, Inc. ("Charter Investment") and Vulcan Cable III Inc. ("Vulcan Cable"). Charter is responsible for its share of taxable income or loss of Charter Holdco allocated to Charter in accordance with the Charter Holdco limited liability company agreement ("LLC Agreement") and partnership tax rules and regulations.

As of June 30, 2005 and December 31, 2004, the Company had net deferred income tax liabilities of approximately $259 million and $216 million, respectively. Approximately $214 million and $208 million of the deferred tax liabilities recorded in the condensed consolidated financial statements at June 30, 2005 and December 31, 2004, respectively relate to certain indirect subsidiaries of Charter Holdco, which file separate income tax returns.

During the three and six months ended June 30, 2005, the Company recorded $31 million and $46 million of income tax expense, respectively, and during the three and six months ended June 30, 2004, the Company recorded $43 million and $97 million of income tax expense, respectively. The sale of systems to Atlantic Broadband, LLC in March and April 2004 resulted in income tax expense of $1 million and $15 million for the three and six months ended June 30, 2004, respectively.

Income tax expense is recognized through increases in the deferred tax liabilities related to Charter's investment in Charter Holdco, as well as current federal and state income tax expense and increases to the deferred tax liabilities of certain of Charter's indirect corporate subsidiaries. The Company recorded an additional deferred tax asset of

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approximately $130 million and $265 million during the three and six months ended June 30, 2005, respectively, relating to net operating loss carryforwards, but recorded a valuation allowance with respect to these amounts because of the uncertainty of the ability to realize a benefit from these carryforwards in the future.

The Company has deferred tax assets of approximately $3.8 billion and $3.5 billion as of June 30, 2005 and December 31, 2004, respectively, which primarily relate to financial and tax losses allocated to Charter from Charter Holdco. The deferred tax assets include approximately $2.3 billion and $2.1 billion of tax net operating loss carryforwards as of June 30, 2005 and December 31, 2004, respectively (generally expiring in years 2005 through 2025), of Charter and its indirect corporate subsidiaries. Valuation allowances of $3.4 billion and $3.2 billion as of June 30, 2005 and December 31, 2004 exist with respect to these deferred tax assets, respectively.

Realization of any benefit from the Company's tax net operating losses is dependent on: (1) Charter and its indirect corporate subsidiaries' ability to generate future taxable income and (2) the absence of certain future "ownership changes" of Charter's common stock. An "ownership change" as defined in the applicable federal income tax rules, would place significant limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income the Company may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could effectively eliminate the Company's ability to use a substantial portion of its net operating losses to offset any future taxable income. Future transactions and the timing of such transactions could cause an ownership change. Such transactions include additional issuances of common stock by the Company (including but not limited to the issuance of up to a total of 150 million shares of common stock (of which 27.2 million were issued in July 2005) under the share lending agreement, the issuance of shares of common stock upon future conversion of Charter's convertible senior notes and the issuance of common stock in the class action settlement discussed in Note 15, reacquisition of the borrowed shares by Charter, or acquisitions or sales of shares by certain holders of Charter's shares, including persons who have held, currently hold, or accumulate in the future five percent or more of Charter's outstanding stock (including upon an exchange by Paul Allen or his affiliates, directly or indirectly, of membership units of Charter Holdco into CCI common stock)). Many of the foregoing transactions are beyond management's control.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Because of the uncertainties in projecting future taxable income of Charter Holdco, valuation allowances have been established except for deferred benefits available to offset certain deferred tax liabilities.

Charter Holdco is currently under examination by the Internal Revenue Service for the tax years ending December 31, 2000, 2002 and 2003. The results of the Company (excluding Charter and the indirect corporate subsidiaries) for these years are subject to this examination. Management does not expect the results of this examination to have a material adverse effect on the Company's financial condition or results of operations.

15. Contingencies

Securities Class Actions and Derivative Suits

Fourteen putative federal class action lawsuits (the "Federal Class Actions") were filed against Charter and certain of its former and present officers and directors in various jurisdictions allegedly on behalf of all purchasers of Charter's securities during the period from either November 8 or November 9, 1999 through July 17 or July 18, 2002. Unspecified damages were sought by the plaintiffs. In general, the lawsuits alleged that Charter utilized misleading accounting practices and failed to disclose these accounting practices and/or issued false and misleading financial statements and press releases concerning Charter's operations and prospects. The Federal Class Actions were specifically and individually identified in public filings made by Charter prior to the date of this quarterly report. On March 12, 2003, the Panel transferred the six Federal Class Actions not filed in the Eastern District of Missouri to that district for coordinated or consolidated pretrial proceedings with the eight Federal Class Actions already pending there. The Court subsequently consolidated the Federal Class Actions into a single action (the "Consolidated Federal Class Action") for pretrial purposes. On August 5, 2004, the plaintiff's representatives, Charter and the individual

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defendants who were the subject of the suit entered into a Memorandum of Understanding setting forth agreements in principle to settle the Consolidated Federal Class Action. These parties subsequently entered into Stipulations of Settlement dated as of January 24, 2005 (described more fully below) which incorporate the terms of the August 5, 2004 Memorandum of Understanding.

On September 12, 2002, a shareholders derivative suit (the "State Derivative Action") was filed in the Circuit Court of the City of St. Louis, State of Missouri (the "Missouri State Court"), against Charter and its then current directors, as well as its former auditors. The plaintiffs alleged that the individual defendants breached their fiduciary duties by failing to establish and maintain adequate internal controls and procedures. On March 12, 2004, an action substantively identical to the State Derivative Action was filed in Missouri State Court against Charter and certain of its current and former directors, as well as its former auditors. On July 14, 2004, the Court consolidated this case with the State Derivative Action.

Separately, on February 12, 2003, a shareholders derivative suit (the "Federal Derivative Action"), was filed against Charter and its then current directors in the United States District Court for the Eastern District of Missouri. The plaintiff in that suit alleged that the individual defendants breached their fiduciary duties and grossly mismanaged Charter by failing to establish and maintain adequate internal controls and procedures.

As noted above, Charter and the individual defendants entered into a Memorandum of Understanding on August 5, 2004 setting forth agreements in principle regarding settlement of the Consolidated Federal Class Action, the State Derivative Action(s) and the Federal Derivative Action (the "Actions"). Charter and various other defendants in those actions subsequently entered into Stipulations of Settlement dated as of January 24, 2005, setting forth a settlement of the Actions in a manner consistent with the terms of the Memorandum of Understanding. The Stipulations of Settlement, along with various supporting documentation, were filed with the Court on February 2, 2005. On May 23, 2005 the United States District Court for the Eastern District of Missouri conducted the final fairness hearing for the Actions, and on June 30, 2005, the Court issued its final approval of the settlements. Members of the class had 30 days from the issuance of the June 30 order approving the settlement to file an appeal challenging the approval. Two notices of appeal were filed relating to the settlement, but Charter does not yet know the specific issues presented by such appeals, nor have briefing schedules been set.

As amended, the Stipulations of Settlement provide that, in exchange for a release of all claims by plaintiffs against Charter and its former and present officers and directors named in the Actions, Charter would pay to the plaintiffs a combination of cash and equity collectively valued at $144 million, which will include the fees and expenses of plaintiffs' counsel. Of this amount, $64 million would be paid in cash (by Charter's insurance carriers) and the $80 million balance was to be paid (subject to Charter's right to substitute cash therefor described below) in shares of Charter Class A common stock having an aggregate value of $40 million and ten-year warrants to purchase shares of Charter Class A common stock having an aggregate warrant value of $40 million, with such values in each case being determined pursuant to formulas set forth in the Stipulations of Settlement. However, Charter had the right, in its sole discretion, to substitute cash for some or all of the aforementioned securities on a dollar for dollar basis. Pursuant to that right, Charter elected to fund the $80 million obligation with 13.4 million shares of Charter Class A common stock (having an aggregate value of approximately $15 million pursuant to the formula set forth in the Stipulations of Settlement) with the remaining balance (less an agreed upon $2 million discount in respect of that portion allocable to plaintiffs' attorneys' fees) to be paid in cash. In addition, Charter had agreed to issue additional shares of its Class A common stock to its insurance carrier having an aggregate value of $5 million; however, by agreement with its carrier Charter has paid $4.5 million in cash in lieu of issuing such shares. Charter delivered the settlement consideration to the claims administrator on July 8, 2005, and it will be held in escrow pending any appeals of the approval. On July 14, 2005, the Circuit Court for the City of St. Louis dismissed with prejudice the State Derivative Actions.

As part of the settlements, Charter has committed to a variety of corporate governance changes, internal practices and public disclosures, some of which have already been undertaken and none of which are inconsistent with measures Charter is taking in connection with the recent conclusion of the SEC investigation.

Government Investigations

In August 2002, Charter became aware of a grand jury investigation being conducted by the U.S. Attorney's Office for the Eastern District of Missouri into certain of its accounting and reporting practices, focusing on how Charter reported customer numbers, and its reporting of amounts received from digital set-top terminal suppliers for advertising. The U.S. Attorney's Office publicly stated that Charter was not a target of the investigation. Charter was also advised by the U.S. Attorney's Office that no current officer or member of its board of directors was a target of the investigation. On July 24, 2003, a federal grand jury charged four former officers of Charter with conspiracy and mail and wire fraud, alleging improper accounting and reporting practices focusing on revenue from digital set-top terminal suppliers and inflated customer account numbers. Each of the indicted former officers pled guilty to single conspiracy counts related to the original mail and wire fraud charges and were sentenced April 22, 2005. Charter fully cooperated with the investigation, and following the sentencings, the U.S. Attorney's Office for the Eastern District of Missouri announced that its investigation was concluded and that no further indictments would issue.

Indemnification

Charter was generally required to indemnify, under certain conditions, each of the named individual defendants in connection with the matters described above pursuant to the terms of its bylaws and (where applicable) such individual defendants' employment agreements. In accordance with these documents, in connection with the grand jury investigation, a now-settled SEC investigation and the above-described lawsuits, some of Charter's current and former directors and current and former officers have been advanced certain costs and expenses incurred in connection with their defense. On February 22, 2005, Charter filed suit against four of its former officers who were indicted in the course of the grand jury investigation. These suits seek to recover the legal fees and other related expenses advanced to these individuals. One of these former officers has counterclaimed against Charter alleging, among other things, that Charter owes him additional indemnification for legal fees that Charter did not pay and another of these former officers has counterclaimed against Charter for accrued sick leave.

Other Litigation

In addition to the matters set forth above, Charter is also party to other lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after taking into account recorded liabilities, the outcome of these other lawsuits and claims are not expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or its liquidity.

16. Stock Compensation Plans

Prior to January 1, 2003, the Company accounted for stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*. On January 1, 2003, the Company adopted the fair value measurement provisions of SFAS No. 123 using the prospective method, under which the Company recognizes compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date consistent with the method described in Financial Accounting Standards Board Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. Adoption of these provisions resulted in utilizing a preferable accounting method as the condensed consolidated financial statements will present the estimated fair value of stock-based compensation in expense consistently with other forms of compensation and other expense associated with goods and services received for equity instruments. In accordance with SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure,* the fair value method is being applied only to awards granted or modified after January 1, 2003, whereas awards granted prior to such date will continue to be accounted for under APB No. 25, unless they are modified or settled in cash. The ongoing effect on consolidated results of operations or financial condition will depend on future stock-based compensation awards granted by the Company.

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SFAS No. 123 requires pro forma disclosure of the impact on earnings as if the compensation expense for these plans had been determined using the fair value method. The following table presents the Company's net loss and loss per share as reported and the pro forma amounts that would have been reported using the fair value method under SFAS No. 123 for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net loss applicable to common stock	$ (356)	$ (416)	$ (709)	$ (710)
Add back stock-based compensation expense related to stock options included in reported net loss	4	12	8	26
Less employee stock-based compensation expense determined under fair value based method for all employee stock option awards	(4)	(10)	(8)	(31)
Effects of unvested options in stock option exchange	--	--	--	48
Pro forma	$ (356)	$ (414)	$ (709)	$ (667)
Loss per common shares, basic and diluted				
As reported	$ (1.18)	$ (1.39)	$ (2.34)	$ (2.39)
Add back stock-based compensation expense related to stock options included in reported net loss	0.01	0.04	0.03	0.09
Less employee stock-based compensation expense determined under fair value based method for all employee stock option awards	(0.01)	(0.03)	(0.03)	(0.10)
Effects of unvested options in stock option exchange	--	--	--	0.16
Pro forma	$ (1.18)	$ (1.38)	$ (2.34)	$ (2.24)

In January 2004, Charter began an option exchange program in which the Company offered its employees the right to exchange all stock options (vested and unvested) under the 1999 Charter Communications Option Plan and 2001 Stock Incentive Plan that had an exercise price over $10 per share for shares of restricted Charter Class A common stock or, in some instances, cash. Based on a sliding exchange ratio, which varied depending on the exercise price of an employee's outstanding options, if an employee would have received more than 400 shares of restricted stock in exchange for tendered options, Charter issued to that employee shares of restricted stock in the exchange. If, based on the exchange ratios, an employee would have received 400 or fewer shares of restricted stock in exchange for tendered options, Charter instead paid the employee cash in an amount equal to the number of shares the employee would have received multiplied by $5.00. The offer applied to options (vested and unvested) to purchase a total of 22,929,573 shares of Charter Class A common stock, or approximately 48% of the Company's 47,882,365 total options (vested and unvested) issued and outstanding as of December 31, 2003. Participation by employees was voluntary. Those members of Charter's board of directors who were not also employees of the Company were not eligible to participate in the exchange offer.

In the closing of the exchange offer on February 20, 2004, the Company accepted for cancellation eligible options to purchase approximately 18,137,664 shares of Charter Class A common stock. In exchange, the Company granted 1,966,686 shares of restricted stock, including 460,777 performance shares to eligible employees of the rank of senior vice president and above, and paid a total cash amount of approximately $4 million (which amount includes applicable withholding taxes) to those employees who received cash rather than shares of restricted stock. The restricted stock was granted on February 25, 2004. Employees tendered approximately 79% of the options exchangeable under the program.

The cost to the Company of the stock option exchange program was approximately $10 million, with a 2004 cash compensation expense of approximately $4 million and a non-cash compensation expense of approximately $6 million to be expensed ratably over the three-year vesting period of the restricted stock issued in the exchange.

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In January 2004, the Compensation Committee of the board of directors of Charter approved Charter's Long-Term Incentive Program ("LTIP"), which is a program administered under the 2001 Stock Incentive Plan. Under the LTIP, employees of Charter and its subsidiaries whose pay classifications exceed a certain level are eligible to receive stock options, and more senior level employees are eligible to receive stock options and performance shares. The stock options vest 25% on each of the first four anniversaries of the date of grant. The performance units vest on the third anniversary of the grant date and shares of Charter Class A common stock are issued, conditional upon Charter's performance against financial performance targets established by Charter's management and approved by its board of directors. Charter granted 6.9 million performance shares in January 2004 under this program and recognized expense of $3 million and $6 million during the three and six months ended June 30, 2004, respectively. However, in the fourth quarter of 2004, the Company reversed the $8 million of expense recorded in the first three quarters of 2004 based on the Company's assessment of the probability of achieving the financial performance measures established by Charter and required to be met for the performance shares to vest. In March and April 2005, Charter granted 2.8 million performance shares under the LTIP. The impact of such grants were de minimis to the Company's results of operations for the three and six months ended June 30, 2005.

17. Related Party Transactions

The following sets forth certain transactions in which the Company and the directors, executive officers and affiliates of the Company are involved. Unless otherwise disclosed, management believes that each of the transactions described below was on terms no less favorable to the Company than could have been obtained from independent third parties.

CC VIII

As part of the acquisition of the cable systems owned by Bresnan Communications Company Limited Partnership in February 2000, CC VIII, Charter's indirect limited liability company subsidiary, issued, after adjustments, 24,273,943 Class A preferred membership units (collectively, the "CC VIII interest") with a value and an initial capital account of approximately $630 million to certain sellers affiliated with AT&T Broadband, subsequently owned by Comcast Corporation (the "Comcast sellers"). While held by the Comcast sellers, the CC VIII interest was entitled to a 2% priority return on its initial capital account and such priority return was entitled to preferential distributions from available cash and upon liquidation of CC VIII. While held by the Comcast sellers, the CC VIII interest generally did not share in the profits and losses of CC VIII. Mr. Allen granted the Comcast sellers the right to sell to him the CC VIII interest for approximately $630 million plus 4.5% interest annually from February 2000 (the "Comcast put right"). In April 2002, the Comcast sellers exercised the Comcast put right in full, and this transaction was consummated on June 6, 2003. Accordingly, Mr. Allen has become the holder of the CC VIII interest, indirectly through an affiliate. Consequently, subject to the matters referenced in the next paragraph, Mr. Allen generally thereafter will be allocated his pro rata share (based on number of membership interests outstanding) of profits or losses of CC VIII. In the event of a liquidation of CC VIII, Mr. Allen would be entitled to a priority distribution with respect to the 2% priority return (which will continue to accrete). Any remaining distributions in liquidation would be distributed to CC V Holdings, LLC and Mr. Allen in proportion to CC V Holdings, LLC's capital account and Mr. Allen's capital account (which will equal the initial capital account of the Comcast sellers of approximately $630 million, increased or decreased by Mr. Allen's pro rata share of CC VIII's profits or losses (as computed for capital account purposes) after June 6, 2003). The limited liability company agreement of CC VIII does not provide for a mandatory redemption of the CC VIII interest.

An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII interest following consummation of the Comcast put right. Specifically, under the terms of the Bresnan transaction documents that were entered into in June 1999, the Comcast sellers originally would have received, after adjustments, 24,273,943 Charter Holdco membership units, but due to an FCC regulatory issue raised by the Comcast sellers shortly before closing, the Bresnan transaction was modified to provide that the Comcast sellers instead would receive the preferred equity interests in CC VIII represented by the CC VIII interest. As part of the last-minute changes to the Bresnan transaction documents, a draft amended version of the Charter Holdco limited liability company agreement was prepared, and contract provisions were drafted for that

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agreement that would have required an automatic exchange of the CC VIII interest for 24,273,943 Charter Holdco membership units if the Comcast sellers exercised the Comcast put right and sold the CC VIII interest to Mr. Allen or his affiliates. However, the provisions that would have required this automatic exchange did not appear in the final version of the Charter Holdco limited liability company agreement that was delivered and executed at the closing of the Bresnan transaction. The law firm that prepared the documents for the Bresnan transaction brought this matter to the attention of Charter and representatives of Mr. Allen in 2002.

Thereafter, the board of directors of Charter formed a Special Committee (currently comprised of Messrs. Merritt, Tory and Wangberg) to investigate the matter and take any other appropriate action on behalf of Charter with respect to this matter. After conducting an investigation of the relevant facts and circumstances, the Special Committee determined that a "scrivener's error" had occurred in February 2000 in connection with the preparation of the last-minute revisions to the Bresnan transaction documents and that, as a result, Charter should seek the reformation of the Charter Holdco limited liability company agreement, or alternative relief, in order to restore and ensure the obligation that the CC VIII interest be automatically exchanged for Charter Holdco units. The Special Committee further determined that, as part of such contract reformation or alternative relief, Mr. Allen should be required to contribute the CC VIII interest to Charter Holdco in exchange for 24,273,943 Charter Holdco membership units. The Special Committee also recommended to the board of directors of Charter that, to the extent the contract reformation is achieved, the board of directors should consider whether the CC VIII interest should ultimately be held by Charter Holdco or Charter Holdings or another entity owned directly or indirectly by them.

Mr. Allen disagrees with the Special Committee's determinations described above and has so notified the Special Committee. Mr. Allen contends that the transaction is accurately reflected in the transaction documentation and contemporaneous and subsequent company public disclosures.

The parties engaged in a process of non-binding mediation to seek to resolve this matter, without success. The Special Committee is evaluating what further actions or processes it may undertake to resolve this dispute. To accommodate further deliberation, each party has agreed to refrain from initiating legal proceedings over this matter until it has given at least ten days' prior notice to the other. In addition, the Special Committee and Mr. Allen have determined to utilize the Delaware Court of Chancery's program for mediation of complex business disputes in an effort to resolve the CC VIII interest dispute. If the Special Committee and Mr. Allen are unable to reach a resolution through that mediation process or to agree on an alternative dispute resolution process, the Special Committee intends to seek resolution of this dispute through judicial proceedings in an action that would be commenced, after appropriate notice, in the Delaware Court of Chancery against Mr. Allen and his affiliates seeking contract reformation, declaratory relief as to the respective rights of the parties regarding this dispute and alternative forms of legal and equitable relief. The ultimate resolution and financial impact of the dispute are not determinable at this time.

TechTV, Inc.

TechTV, Inc. ("TechTV") operated a cable television network that offered programming mostly related to technology. Pursuant to an affiliation agreement that originated in 1998 and that terminates in 2008, TechTV has provided the Company with programming for distribution via Charter's cable systems. The affiliation agreement provides, among other things, that TechTV must offer Charter certain terms and conditions that are no less favorable in the affiliation agreement than are given to any other distributor that serves the same number of or fewer TechTV viewing customers. Additionally, pursuant to the affiliation agreement, the Company was entitled to incentive payments for channel launches through December 31, 2003.

In March 2004, Charter Holdco entered into agreements with Vulcan Programming and TechTV, which provide for (i) Charter Holdco and TechTV to amend the affiliation agreement which, among other things, revises the description of the TechTV network content, provides for Charter Holdco to waive certain claims against TechTV relating to alleged breaches of the affiliation agreement and provides for TechTV to make payment of outstanding launch receivables due to Charter Holdco under the affiliation agreement, (ii) Vulcan Programming to pay approximately $10 million and purchase over a 24-month period, at fair market rates, $2 million of advertising time across various cable networks on Charter cable systems in consideration of the agreements, obligations, releases and waivers under the agreements and in settlement of the aforementioned claims and (iii) TechTV to be a provider of content relating to technology and video gaming for Charter's interactive television platforms through December 31, 2006 (exclusive for the first year). For each of the three and six months ended June 30, 2005 and 2004, the Company recognized approximately $0.3 million and $0.6 million, respectively, of the Vulcan Programming payment as an offset to programming expense. For the three and six months ended June 30, 2005, the Company paid approximately $0.5 million and $1 million, respectively, and for the three and six months ended June 30, 2004, the Company paid approximately $0.4 million and $0.6 million, respectively, under the affiliation agreement.

The Company believes that Vulcan Programming, which is 100% owned by Mr. Allen, owned an approximate 98% equity interest in TechTV at the time Vulcan Programming sold TechTV to an unrelated third party in May 2004. Until September 2003, Mr. Savoy, a former Charter director, was the president and director of Vulcan Programming and was a director of TechTV. Mr. Wangberg, one of Charter's directors, was the chairman, chief executive officer and a director of TechTV. Mr. Wangberg resigned as the chief executive officer of TechTV in July 2002. He remained a director of TechTV along with Mr. Allen until Vulcan Programming sold TechTV.

Digeo, Inc.

In March 2001, a subsidiary of Charter, Charter Communications Ventures, LLC ("Charter Ventures"), and Vulcan Ventures Incorporated formed DBroadband Holdings, LLC for the sole purpose of purchasing equity interests in Digeo, Inc. ("Digeo"), an entity controlled by Paul Allen. In connection with the execution of the broadband carriage agreement, DBroadband Holdings, LLC purchased an equity interest in Digeo funded by contributions from Vulcan Ventures Incorporated. The equity interest is subject to a priority return of capital to Vulcan Ventures up to the amount contributed by Vulcan Ventures on Charter Ventures' behalf. After Vulcan Ventures recovers its amount contributed and any cumulative loss allocations, Charter Ventures has a 100% profit interest in DBroadband Holdings, LLC. Charter Ventures is not required to make any capital contributions, including capital calls, to Digeo. DBroadband Holdings, LLC is therefore not included in the Company's consolidated financial statements. Pursuant to an amended version of this arrangement, in 2003, Vulcan Ventures contributed a total of $29 million to Digeo, $7 million of which was contributed on Charter Ventures' behalf, subject to Vulcan Ventures' aforementioned priority return. Since the formation of DBroadband Holdings, LLC, Vulcan Ventures has contributed approximately $56 million on Charter Ventures' behalf.

On March 2, 2001, Charter Ventures entered into a broadband carriage agreement with Digeo Interactive, LLC ("Digeo Interactive"), a wholly owned subsidiary of Digeo. The carriage agreement provided that Digeo Interactive would provide to Charter a "portal" product, which would function as the television-based Internet portal (the initial point of entry to the Internet) for Charter's customers who received Internet access from Charter. The agreement term was for 25 years and Charter agreed to use the Digeo portal exclusively for six years. Before the portal product was delivered to Charter, Digeo terminated development of the portal product.

On September 27, 2001, Charter and Digeo Interactive amended the broadband carriage agreement. According to the amendment, Digeo Interactive would provide to Charter the content for enhanced "Wink" interactive television services, known as Charter Interactive Channels ("i-channels"). In order to provide the i-channels, Digeo Interactive sublicensed certain Wink technologies to Charter. Charter is entitled to share in the revenues generated by the i-channels. Currently, the Company's digital video customers who receive i-channels receive the service at no additional charge.

On September 28, 2002, Charter entered into a second amendment to its broadband carriage agreement with Digeo Interactive. This amendment superseded the amendment of September 27, 2001. It provided for the development by Digeo Interactive of future features to be included in the Basic i-TV service to be provided by Digeo and for Digeo's development of an interactive "toolkit" to enable Charter to develop interactive local content. Furthermore, Charter could request that Digeo Interactive manage local content for a fee. The amendment provided for Charter to pay for development of the Basic i-TV service as well as license fees for customers who would receive the service, and for Charter and Digeo to split certain revenues earned from the service. The Company paid Digeo Interactive

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approximately $1 million and $1 million for the three and six months ended June 30, 2005, respectively, and $1 million and $1 million for the three and six months ended June 30, 2004, respectively, for customized development of the i-channels and the local content tool kit. This amendment expired pursuant to its terms on December 31, 2003. Digeo Interactive is continuing to provide the Basic i-TV service on a month-to-month basis.

On June 30, 2003, Charter Holdco entered into an agreement with Motorola, Inc. for the purchase of 100,000 digital video recorder ("DVR") units. The software for these DVR units is being supplied by Digeo Interactive, LLC under a license agreement entered into in April 2004. Under the license agreement Digeo Interactive granted to Charter Holdco the right to use Digeo's proprietary software for the number of DVR units that Charter deployed from a maximum of 10 headends through year-end 2004. This maximum number of headends was increased from 10 to 15 pursuant to a letter agreement executed on June 11, 2004 and the date for entering into license agreements for units deployed was extended to June 30, 2005. The number of headends was increased from 15 to 20 pursuant to a letter agreement dated August 4, 2004, from 20 to 30 pursuant to a letter agreement dated September 28, 2004 and from 30 to 50 headends by a letter agreement in February 2005. The license granted for each unit deployed under the agreement is valid for five years. In addition, Charter will pay certain other fees including a per-headend license fee and maintenance fees. Maximum license and maintenance fees during the term of the agreement are expected to be approximately $7 million. The agreement provides that Charter is entitled to receive contract terms, considered on the whole, and license fees, considered apart from other contract terms, no less favorable than those accorded to any other Digeo customer. Charter paid approximately $0.1 million and $0.2 million in license and maintenance fees for the three and six months ended June 30, 2005, respectively.

In April 2004, the Company launched DVR service using units containing the Digeo software in Charter's Rochester, Minnesota market using a broadband media center that is an integrated set-top terminal with a cable converter, DVR hard drive and connectivity to other consumer electronics devices (such as stereos, MP3 players, and digital cameras).

In May 2004, Charter Holdco entered into a binding term sheet with Digeo Interactive for the development, testing and purchase of 70,000 Digeo PowerKey DVR units. The term sheet provided that the parties would proceed in good faith to negotiate, prior to year-end 2004, definitive agreements for the development, testing and purchase of the DVR units and that the parties would enter into a license agreement for Digeo's proprietary software on terms substantially similar to the terms of the license agreement described above. In November 2004, Charter Holdco and Digeo Interactive executed the license agreement and in December 2004, the parties executed the purchase agreement, each on terms substantially similar to the binding term sheet. Product development and testing has been completed. Total purchase price and license and maintenance fees during the term of the definitive agreements are expected to be approximately $41 million. The definitive agreements are terminable at no penalty to Charter in certain circumstances. Charter paid approximately $1 million and $2 million in capital purchases under this agreement for the three and six months ended June 30, 2005, respectively.

In late 2003, Microsoft sued Digeo for $9 million in a breach of contract action, involving an agreement that Digeo and Microsoft had entered into in 2001. Digeo informed us that it believed it had an indemnification claim against us for half that amount. Digeo settled with Microsoft agreeing to make a cash payment and to purchase certain amounts of Microsoft software products and consulting services through 2008. In consideration of Digeo agreeing to release us from its potential claim against us, after consultation with outside counsel we agreed, in June 2005, to purchase a total of $2.3 million in Microsoft consulting services through 2008, a portion of which amounts Digeo has informed us will count against Digeo's purchase obligations with Microsoft.

The Company believes that Vulcan Ventures, an entity controlled by Mr. Allen, owns an approximate 60% equity interest in Digeo, Inc., on a fully-converted non-diluted basis. Mr. Allen, Lance Conn and Jo Allen Patton, directors of Charter, are directors of Digeo, and Mr. Vogel was a director of Digeo in 2004. During 2004 and 2005, Mr. Vogel held options to purchase 10,000 shares of Digeo common stock.

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Oxygen Media LLC

Oxygen Media LLC ("Oxygen") provides programming content aimed at the female audience for distribution over cable systems and satellite. On July 22, 2002, Charter Holdco entered into a carriage agreement with Oxygen, whereby the Company agreed to carry programming content from Oxygen. Under the carriage agreement, the Company currently makes Oxygen programming available to approximately 5 million of its video customers. The term of the carriage agreement was retroactive to February 1, 2000, the date of launch of Oxygen programming by the Company, and runs for a period of five years from that date. For the three and six months ended June 30, 2005, the Company paid Oxygen approximately $2 million and $5 million, respectively, and for the three and six months ended June 30, 2004, the Company paid Oxygen approximately $3 million and $7 million, respectively, for programming content. In addition, Oxygen pays the Company marketing support fees for customers launched after the first year of the term of the carriage agreement up to a total of $4 million. The Company recorded approximately $0.1 million related to these launch incentives as a reduction of programming expense for the six months ended June 30, 2005, and $0.4 million and $0.7 million for the three and six months ended June 30, 2004, respectively.

Concurrently with the execution of the carriage agreement, Charter Holdco entered into an equity issuance agreement pursuant to which Oxygen's parent company, Oxygen Media Corporation ("Oxygen Media"), granted a subsidiary of Charter Holdco a warrant to purchase 2.4 million shares of Oxygen Media common stock for an exercise price of $22.00 per share. In February 2005, this warrant expired unexercised. Charter Holdco was also to receive unregistered shares of Oxygen Media common stock with a guaranteed fair market value on the date of issuance of $34 million, on or prior to February 2, 2005, with the exact date to be determined by Oxygen Media, but this commitment was later revised as discussed below.

The Company recognized the guaranteed value of the investment over the life of the carriage agreement as a reduction of programming expense. For the six months ended June 30, 2005, the Company recorded approximately $2 million, as a reduction of programming expense and for the three and six months ended June 30, 2004, the Company recorded approximately $3 million and $7 million, respectively. The carrying value of the Company's investment in Oxygen was approximately $33 million and $32 million as of June 30, 2005 and December 31, 2004, respectively.

In August 2004, Charter Holdco and Oxygen entered into agreements that amended and renewed the carriage agreement. The amendment to the carriage agreement (a) revises the number of the Company's customers to which Oxygen programming must be carried and for which the Company must pay, (b) releases Charter Holdco from any claims related to the failure to achieve distribution benchmarks under the carriage agreement, (c) requires Oxygen to make payment on outstanding receivables for marketing support fees due to the Company under the carriage agreement; and (d) requires that Oxygen provide its programming content to the Company on economic terms no less favorable than Oxygen provides to any other cable or satellite operator having fewer subscribers than the Company. The renewal of the carriage agreement (a) extends the period that the Company will carry Oxygen programming to the Company's customers through January 31, 2008, and (b) requires license fees to be paid based on customers receiving Oxygen programming, rather than for specific customer benchmarks.

In August 2004, Charter Holdco and Oxygen also amended the equity issuance agreement to provide for the issuance of 1 million shares of Oxygen Preferred Stock with a liquidation preference of $33.10 per share plus accrued dividends to Charter Holdco on February 1, 2005 in place of the $34 million of unregistered shares of Oxygen Media common stock. Oxygen Media delivered these shares in March 2005. The preferred stock is convertible into common stock after December 31, 2007 at a conversion ratio per share of preferred stock, the numerator of which is the liquidation preference and the denominator of which is the fair market value per share of Oxygen Media common stock on the conversion date.

As of June 30, 2005, through Vulcan Programming, Mr. Allen owned an approximate 31% interest in Oxygen assuming no exercises of outstanding warrants or conversion or exchange of convertible or exchangeable securities. Ms. Jo Allen Patton is a director and the President of Vulcan Programming. Mr. Lance Conn is a Vice President of Vulcan Programming. Marc Nathanson has an indirect beneficial interest of less than 1% in Oxygen.

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18. Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 153, *Exchanges of Non-monetary Assets - An Amendment of APB No. 29*. This statement eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance - that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. The Company adopted this pronouncement effective April 1, 2005. The exchange transaction discussed in Note 3 was accounted for under this standard.

In December 2004, the Financial Accounting Standards Board issued the revised SFAS No. 123, *Share-Based Payment*, which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of that company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. This statement will be effective for the Company beginning January 1, 2006. Because the Company adopted the fair value recognition provisions of SFAS No. 123 on January 1, 2003, the Company does not expect this revised standard to have a material impact on its financial statements.

Charter does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the Company's accompanying financial statements.

19. Subsequent Events

On July 29, 2005, we issued 27.2 million shares of Class A common stock in a public offering, which was effected pursuant to an effective registration statement that initially covered the issuance and sale of up to 150 million shares of Class A common stock. The shares were issued pursuant to a share lending agreement, pursuant to which Charter had previously agreed to loan up to 150 million shares to CGML. Because less than the full 150 million shares covered by the share lending agreement were sold in the offering, we remain obligated to issue, at CGML's request, up to an additional 122.8 million additional loaned shares in subsequent registered public offerings pursuant to the share lending agreement.

This offering of Charter's Class A common stock was conducted to facilitate transactions by which investors in Charter's 5.875% convertible senior notes due 2009 issued on November 22, 2004 hedged their investments in the convertible senior notes. Charter did not receive any of the proceeds from the sale of this Class A common stock. However, under the share lending agreement, Charter received a loan fee of $.001 for each share that it lends to CGML

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Charter Communications, Inc. ("Charter") is a holding company whose principal assets as of June 30, 2005 are a 47% controlling common equity interest in Charter Communications Holding Company, LLC ("Charter Holdco") and "mirror" notes which are payable by Charter Holdco to Charter and have the same principal amount and terms as Charter's convertible senior notes. "We," "us" and "our" refer to Charter and its subsidiaries. We are a broadband communications company operating in the United States. We offer our customers traditional cable video programming (analog and digital video) as well as high-speed Internet services and in some areas advanced broadband services such as high definition television, video on demand, telephone and interactive television. We sell our cable video programming, high-speed Internet and advanced broadband services on a subscription basis.

The following table summarizes our customer statistics for analog and digital video, residential high-speed Internet and residential telephone as of June 30, 2005 and 2004:

	Approximate as of	
	June 30, 2005 (a)	June 30, 2004 (a)
Cable Video Services:		
Analog Video:		
Residential (non-bulk) analog video customers (b)	5,683,400	5,892,600
Multi-dwelling (bulk) and commercial unit customers (c)	259,700	240,600
Total analog video customers (b)(c)	5,943,100	6,133,200
Digital Video:		
Digital video customers (d)	2,685,600	2,650,200
Non-Video Cable Services:		
Residential high-speed Internet customers (e)	2,022,200	1,711,400
Telephone customers (f)	67,800	31,200

(a) "Customers" include all persons our corporate billing records show as receiving service (regardless of their payment status), except for complimentary accounts (such as our employees). At June 30, 2005 and 2004, "customers" include approximately 45,100 and 58,700 persons whose accounts were over 60 days past due in payment, approximately 8,200 and 6,300 persons whose accounts were over 90 days past due in payment, and approximately 4,500 and 2,000 of which were over 120 days past due in payment, respectively.

(b) "Residential (non-bulk) analog video customers" include all customers who receive video services, except for complimentary accounts (such as our employees).

(c) Included within "video customers" are those in commercial and multi-dwelling structures, which are calculated on an equivalent bulk unit ("EBU") basis. EBU is calculated for a system by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. The EBU method of estimating analog video customers is consistent with the methodology used in determining costs paid to programmers and has been consistently applied year over year. As we increase our effective analog prices to residential customers without a corresponding increase in the prices charged to commercial service or multi-dwelling customers, our EBU count will decline even if there is no real loss in commercial service or multi-dwelling customers.

(d) "Digital video customers" include all households that have one or more digital set-top terminals. Included in "digital video customers" on June 30, 2005 and 2004 are approximately 9,700 and 11,400 customers, respectively, that receive digital video service directly through satellite transmission.

(e) "High-speed Internet customers" represent those customers who subscribe to our high-speed Internet service. At June 30, 2005 and 2004, approximately 1,787,600 and 1,543,000 of these high-speed Internet customers, respectively, receive video services from us and are included within our video statistics above.

(f) "Telephone customers" include all households who subscribe to our telephone service.

Overview of Operations

We have a history of net losses. Further, we expect to continue to report net losses for the foreseeable future. Our net losses are principally attributable to insufficient revenue to cover the combination of operating costs and interest costs we incur because of our high level of debt, depreciation expenses that we incur resulting from the capital investments we have made and continue to make in our business, and amortization and impairment of our franchise intangibles. We expect that these expenses (other than amortization and impairment of franchises) will remain significant, and we therefore expect to continue to report net losses for the foreseeable future. Additionally, reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest balance on the balance sheet related to Charter Holdco. Because minority interest in Charter Holdco is substantially eliminated, Charter absorbs substantially all losses before income taxes that otherwise would be allocated to minority interest. Subject to any changes in Charter Holdco's capital structure, future losses will continue to be absorbed by Charter. Effective January 1, 2005, we ceased recognizing minority interest in earnings or losses of CC VIII, LLC for financial reporting purposes until the resolution of the dispute between Charter and Mr. Allen regarding the preferred membership units in CC VIII, LLC is determinable or other events occur.

For the three months ended June 30, 2005 and 2004, our income from operations, which includes depreciation and amortization expense and asset impairment charges but excludes interest expense, was $110 million and $15 million, respectively, and for the six months ended June 30, 2005 and 2004, our income from operations was $161 million and $190 million, respectively. We had operating margins of 8% and 1% for the three months ended June 30, 2005 and 2004, respectively, and 6% and 8% for the six months ended June 30, 2005 and 2004, respectively. The increase in income from operations and operating margins from the three months ended June 30, 2004 compared to 2005 was principally due to approximately $85 million recorded in special charges for the three months ended June 30, 2004 as part of the terms set forth in memoranda of understanding regarding settlement of the consolidated Federal Class Action and Federal Derivative Action which did not recur in 2005. See "— Legal Proceedings." The decrease in income from operations and operating margins from the six months ended June 30, 2004 compared to 2005 was principally due to the one-time gain as a result of the sale of certain cable systems in Florida, Pennsylvania, Maryland, Delaware and West Virginia to Atlantic Broadband Finance, LLC of approximately $106 million, recognized in the six months ended June 30, 2004, offset by $85 million recorded in special charges discussed above.

Historically, our ability to fund operations and investing activities has depended on our continued access to credit under our credit facilities. We expect we will continue to borrow under our credit facilities from time to time to fund cash needs. The occurrence of an event of default under our credit facilities could result in borrowings from these credit facilities being unavailable to us and could, in the event of a payment default or acceleration, also trigger events of default under the indentures governing our outstanding notes and would have a material adverse effect on us. Approximately $15 million of our debt matures during the remainder of 2005, which we expect to fund through borrowings under our revolving credit facility. See "— Liquidity and Capital Resources."

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and the means by which we develop estimates therefor, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2004 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

The following table sets forth the percentages of revenues that items in the accompanying condensed consolidated statements of operations constituted for the periods presented (dollars in millions, except per share and share data):

	Three Months Ended June 30,			
	2005		2004	
Revenues	$ 1,323	100%	$ 1,239	100%
Costs and expenses:				
Operating (excluding depreciation and amortization)	569	43%	515	42%
Selling, general and administrative	256	19%	244	20%
Depreciation and amortization	378	29%	364	29%
Asset impairment charges	8	1%	--	--
Loss on sale of assets, net	--	--	2	--
Option compensation expense, net	4	--	12	1%
Special charges, net	(2)	--	87	7%
	1,213	92%	1,224	99%
Income from operations	110	8%	15	1%
Interest expense, net	(451)		(410)	
Gain (loss) on derivative instruments and hedging activities, net	(1)		63	
Loss on debt to equity conversions	--		(15)	
Gain (loss) on extinguishment of debt	1		(21)	
Gain on investments	20		2	
	(431)		(381)	
Loss before minority interest and income taxes	(321)		(366)	
Minority interest	(3)		(6)	
Loss before income taxes	(324)		(372)	
Income tax expense	(31)		(43)	
Net loss	(355)		(415)	
Dividends on preferred stock - redeemable	(1)		(1)	

Net loss applicable to common stock	$ (356)	$ (416)
Loss per common share, basic and diluted	$ (1.18)	$ (1.39)
Weighted average common shares outstanding, basic and diluted	303,620,347	300,522,815

Revenues. Revenues increased by $84 million, or 7%, from $1.2 billion for the three months ended June 30, 2004 to $1.3 billion for the three months ended June 30, 2005. This increase is principally the result of an increase of 310,800 high-speed Internet and 35,400 digital video customers, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 190,100 analog video customers. Our goal is to increase revenues by improving customer service which we believe will stabilize our analog video customer base, implementing price increases on certain services and packages and increasing the number of customers who purchase high-speed Internet services, digital video and advanced products and services such as telephone, video on demand ("VOD"), high definition television and digital video recorder service.

Average monthly revenue per analog video customer increased to $73.94 for the three months ended June 30, 2005 from $67.02 for the three months ended June 30, 2004 primarily as a result of incremental revenues from advanced services and price increases. Average monthly revenue per analog video customer represents total quarterly revenue, divided by three, divided by the average number of analog video customers during the respective period.

Revenues by service offering were as follows (dollars in millions):

	Three Months Ended June 30,					
	2005		2004		2005 over 2004	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 861	65%	$ 846	68%	$ 15	2%
High-speed Internet	226	17%	181	15%	45	25%
Advertising sales	76	6%	73	6%	3	4%
Commercial	69	5%	58	5%	11	19%
Other	91	7%	81	6%	10	12%
	$ 1,323	100%	$ 1,239	100%	$ 84	7%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Video revenues increased by $15 million, or 2%, from $846 million for the three months ended June 30, 2004 to $861 million for the three months ended June 30, 2005. Approximately $35 million of the increase was the result of price increases and incremental video revenues from existing customers and approximately $3 million was the result of an increase in digital video customers. The increase was offset by approximately $23 million as a result of a decrease in analog video customers.

Revenues from high-speed Internet services provided to our non-commercial customers increased $45 million, or 25%, from $181 million for the three months ended June 30, 2004 to $226 million for the three months ended June 30, 2005. Approximately $34 million of the increase related to the increase in the average number of customers receiving high-speed Internet services, whereas approximately $11 million related to the increase in average price of the service.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales increased $3 million, or 4%, from $73 million for the three months ended June 30, 2004 to $76 million for the three months ended June 30, 2005, primarily as a result of an increase in local advertising sales offset by a decline in national advertising sales. For each of the three months ended June 30, 2005 and 2004, we received $3 million in advertising sales revenues from vendors.

Commercial revenues consist primarily of revenues from cable video and high-speed Internet services to our commercial customers. Commercial revenues increased $11 million, or 19%, from $58 million for the three months ended June 30, 2004 to $69 million for the three months ended June 30, 2005, primarily as a result of an increase in commercial high-speed Internet revenues.

Other revenues consist of revenues from franchise fees, telephone revenue, equipment rental, customer installations, home shopping, dial-up Internet service, late payment fees, wire maintenance fees and other miscellaneous revenues. Other revenues increased $10 million, or 12%, from $81 million for the three months ended June 30, 2004 to $91 million for the three months ended June 30, 2005. The increase was primarily the result of an increase in telephone revenue of $4 million, franchise fees of $3 million and installation revenue of $2 million.

Operating Expenses. Operating expenses increased $54 million, or 10%, from $515 million for the three months ended June 30, 2004 to $569 million for the three months ended June 30, 2005. Programming costs included in the accompanying condensed consolidated statements of operations were $351 million and $329 million, representing 29% and 27% of total costs and expenses for the three months ended June 30, 2005 and 2004, respectively. Key expense components as a percentage of revenues were as follows (dollars in millions):

	Three Months Ended June 30,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 351	26%	$ 329	27%	$ 22	7%
Advertising sales	25	2%	25	2%	--	--
Service	193	15%	161	13%	32	20%
	$ 569	43%	$ 515	42%	$ 54	10%

Programming costs consist primarily of costs paid to programmers for analog, premium, digital channels, VOD and pay-per-view programming. The increase in programming costs of $22 million, or 7%, for the three months ended June 30, 2005 over the three months ended June 30, 2004, was a result of price increases, particularly in sports programming, partially offset by a decrease in analog video customers. Programming costs for the three months ended June 30, 2005, also include an $8 million reduction related to changes in estimates of programming related liabilities associated with contract renewals. Additionally, programming costs were offset by the amortization of payments received from programmers in support of launches of new channels of $9 million and $14 million for the three months ended June 30, 2005 and 2004, respectively.

Our cable programming costs have increased in every year we have operated in excess of U.S. inflation and cost-of-living increases, and we expect them to continue to increase because of a variety of factors, including inflationary or negotiated annual increases, additional programming being provided to customers and increased costs to purchase or produce programming. In 2005, programming costs have and we expect they will continue to increase at a higher rate than in 2004. These costs will be determined in part on the outcome of programming negotiations in 2005 and will likely be subject to offsetting events or otherwise affected by factors similar to the ones mentioned in the preceding paragraph. Our increasing programming costs will result in declining operating margins for our video services to the extent we are unable to pass on cost increases to our customers. We expect to partially offset any resulting margin compression from our traditional video services with revenue from advanced video services, increased high-speed Internet revenues, advertising revenues and commercial service revenues.

Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses remained essentially flat for the three months ended June 30, 2005 compared to the three months ended June 30, 2004. Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, Internet service provider fees, maintenance and pole rent expense. The increase in service costs of $32 million, or 20%, resulted primarily from increased labor and maintenance costs to support our infrastructure, increased equipment maintenance, an increase in franchise fees as a result of increased revenues and higher fuel prices.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $12 million, or 5%, from $244 million for the three months ended June 30, 2004 to $256 million for the three months ended June 30, 2005. Key components of expense as a percentage of revenues were as follows (dollars in millions):

	Three Months Ended June 30,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	$ 225	17%	$ 208	17%	$ 17	8%
Marketing	31	2%	36	3%	(5)	(14)%
	$ 256	19%	$ 244	20%	$ 12	5%

General and administrative expenses consist primarily of salaries and benefits, rent expense, billing costs, call center costs, internal network costs, bad debt expense and property taxes. The increase in general and administrative expenses of $17 million, or 8%, resulted primarily from increases in salaries and benefits of $9 million, property taxes of $8 million and professional fees of $8 million offset by decreases in bad debt expense of $5 million.

Marketing expenses decreased $5 million, or 14%, as a result of a decrease in expenditures as a result of disciplined spending and more targeted marketing tactics. We expect marketing expenditures to increase for the remainder of 2005.

Depreciation and Amortization. Depreciation and amortization expense increased by $14 million, or 4%, from $364 million for the three months ended June 30, 2004 to $378 million for the three months ended June 30, 2005. The increase in depreciation was related to an increase in capital expenditures.

Asset Impairment Charges. Asset impairment charges for the three months ended June 30, 2005 represent the write-down of assets related to a pending cable asset sale to fair value less costs to sell. See Note 3 to the condensed consolidated financial statements.

Loss on Sale of Assets, Net. The loss on sale of assets of $2 million for the three months ended June 30, 2004 primarily represents a $3 million pretax loss realized on the sale of the New York system to Atlantic Broadband Finance, LLC which closed on April 30, 2004, partially offset by a $1 million gain recognized on the sale of fixed assets.

Option Compensation Expense, Net. Option compensation expense decreased by $8 million, or 67%, from $12 million for the three months ended June 30, 2004 to $4 million for the three months ended June 30, 2005 primarily as a result of a decrease in the fair value of such options related to a decrease in the price of our Class A common stock combined with a decrease in the number of options issued.

Special Charges, Net. Special charges of $(2) million for the three months ended June 30, 2005 primarily represents an agreed upon cash discount on settlement of the consolidated Federal Class Action and Federal Derivative Action. See "—Legal Proceedings." Special charges of $87 million for the three months ended June 30, 2004 represents approximately $85 million as part of the terms set forth in memoranda of understanding regarding settlement of the consolidated Federal Class Action and Federal Derivative Action, subject to final documentation and court approval, and approximately $2 million of severance and related costs of our workforce reduction.

Interest Expense, Net. Net interest expense increased by $41 million, or 10%, from $410 million for the three months ended June 30, 2004 to $451 million for the three months ended June 30, 2005. The increase in net interest expense was a result of approximately $9 million of liquidated damages on our 5.875% convertible senior notes combined with an increase in our average borrowing rate from 8.77% in the second quarter of 2004 to 8.92% in the second quarter of 2005 and an increase of $930 million in average debt outstanding from $18.3 billion for the second quarter of 2004 compared to $19.2 billion for the second quarter of 2005. This was offset partially by $8 million in gains related to embedded derivatives in Charter's 5.875% convertible senior notes issued in November 2004. See Note 9 to the condensed consolidated financial statements.

Gain (Loss) on Derivative Instruments and Hedging Activities, Net. Net gain on derivative instruments and hedging activities decreased $64 million from a gain of $63 million for the three months ended June 30, 2004 to a loss of $1 million for the three months ended June 30, 2005. The decrease is primarily the result of a decrease in gains on interest rate agreements that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* which decreased from a gain of $60 million for the three months ended June 30, 2004 to a loss of $1 million for the three months ended June 30, 2005.

Loss on Debt to Equity Conversions. Loss on debt to equity conversions of $15 million for the three months ended June 30, 2004 represents the loss recognized from a privately negotiated exchange of $20 million principal amount of Charter's 5.75% convertible senior notes held by a single unrelated party for shares of Charter Class A common stock, which resulted in the issuance of more shares in the exchange transaction than would have been issued pursuant to the original terms of the convertible senior notes.

Gain (Loss) on Extinguishment of Debt. Gain on extinguishment of debt of $1 million for the three months ended June 30, 2005 represents approximately $3 million related to the repurchase of $97 million principal amount of our 4.75% convertible senior notes due 2006 offset by a loss on extinguishment of debt of approximately $1 million related to the issuance of $62 million principal amount of Charter Operating notes in exchange for $62 million principal amount of Charter Holdings notes. See Note 6 to the condensed consolidated financial statements. Loss on extinguishment of debt of $21 million for the three months ended June 30, 2004 represents the write-off of deferred financing fees and third party costs related to the Charter Operating refinancing in April 2004.

Gain on investments. Gain on investments increased from $2 million for the three months ended June 30, 2004 to $20 million for the three months ended June 30, 2005 primarily as a result of a gain realized on an exchange of our interest in an equity investee for an investment in a larger enterprise.

Minority Interest. Minority interest represents the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, LLC, and in the second quarter of 2004, the pro rata share of the profits and losses of CC VIII, LLC. Effective January 1, 2005, we ceased recognizing minority interest in earnings or losses of CC VIII for financial reporting purposes until the dispute between Charter and Mr. Allen regarding the preferred membership interests in CC VIII is resolved. See Note 7 to the condensed consolidated financial statements. Additionally, reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Holdco. Because minority interest in Charter Holdco is substantially eliminated, Charter absorbs substantially all losses before income taxes that otherwise would be allocated to minority interest. Subject to any changes in Charter Holdco's capital structure, future losses will continue to be substantially absorbed by Charter.

Income Tax Expense. Income tax expense of $31 million and $43 million was recognized for the three months ended June 30, 2005 and 2004, respectively. The income tax expense is recognized through increases in deferred tax liabilities related to our investment in Charter Holdco, as well as through current federal and state income tax expense and increases in the deferred tax liabilities of certain of our indirect corporate subsidiaries.

Net Loss. Net loss decreased by $60 million, or 14%, from $415 million for the three months ended June 30, 2004 to $355 million for the three months ended June 30, 2005 as a result of the factors described above.

Preferred Stock Dividends. On August 31, 2001, Charter issued 505,664 shares (and on February 28, 2003 issued an additional 39,595 shares) of Series A Convertible Redeemable Preferred Stock in connection with the Cable USA acquisition, on which Charter pays or accrues a quarterly cumulative cash dividend at an annual rate of 5.75% if paid or 7.75% if accrued on a liquidation preference of $100 per share. Beginning January 1, 2005, Charter is accruing the dividend on its Series A Convertible Redeemable Preferred Stock.

Loss Per Common Share. The loss per common share decreased by $0.21 from $1.39 per common share for the three months ended June 30, 2004 to $1.18 per common share for the three months ended June 30, 2005 as a result of the factors described above.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

The following table sets forth the percentages of revenues that items in the accompanying consolidated statements of operations constituted for the periods presented (dollars in millions, except per share and share data):

	Six Months Ended June 30,			
	2005		2004	
Revenues	$ 2,594	100%	$ 2,453	100%
Costs and expenses:				
Operating (excluding depreciation and amortization)	1,128	44%	1,027	42%
Selling, general and administrative	493	19%	483	19%
Depreciation and amortization	759	29%	734	30%
Asset impairment charges	39	2%	--	--
(Gain) loss on sale of assets, net	4	--	(104)	(4)%
Option compensation expense, net	8	--	26	1%
Special charges, net	2	--	97	4%
	2,433	94%	2,263	92%
Income from operations	161	6%	190	8%
Interest expense, net	(871)		(803)	
Gain on derivative instruments and hedging activities, net	26		56	
Loss on debt to equity conversions	--		(23)	
Gain (loss) on extinguishment of debt	8		(21)	
Gain on investments	21		--	
	(816)		(791)	
Loss before minority interest and income taxes	(655)		(601)	
Minority interest	(6)		(10)	
Loss before income taxes	(661)		(611)	
Income tax expense	(46)		(97)	
Net loss	(707)		(708)	
Dividends on preferred stock - redeemable	(2)		(2)	
Net loss applicable to common stock	$ (709)		$ (710)	
Loss per common share, basic and diluted	$ (2.34)		$ (2.39)	

Weighted average common shares outstanding, basic

and diluted	303,465,474	297,814,091

Revenues. Revenues increased by $141 million, or 6%, from $2.5 billion for the six months ended June 30, 2004 to $2.6 billion for the six months ended June 30, 2005. This increase is principally the result of an increase of 310,800 and 35,400 high-speed Internet and digital video customers, respectively, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 190,100 analog video customers. The cable system sales to Atlantic Broadband Finance, LLC, which closed in March and April 2004 (referred to herein as the "System Sales") reduced the increase in revenues by $29 million. Our goal is to increase revenues by improving customer service which we believe will stabilize our analog video customer base, implementing price increases on certain services and packages and increasing the number of customers who purchase high-speed Internet services, digital video and advanced products and services such as telephone, VOD, high definition television and digital video recorder service.

Average monthly revenue per analog video customer increased to $72.38 for the six months ended June 30, 2005 from $65.39 for the six months ended June 30, 2004 primarily as a result of incremental revenues from advanced services and price increases. Average monthly revenue per analog video customer represents total revenue for the six months ended during the respective period, divided by six, divided by the average number of analog video customers during the respective period.

Revenues by service offering were as follows (dollars in millions):

	Six Months Ended June 30,					
	2005		2004		2005 over 2004	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 1,703	66%	$ 1,695	69%	$ 8	--
High-speed Internet	441	17%	349	14%	92	26%
Advertising sales	140	5%	132	5%	8	6%
Commercial	134	5%	114	5%	20	18%
Other	176	7%	163	7%	13	8%
	$ 2,594	100%	$ 2,453	100%	$ 141	6%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Video revenues increased by $8 million for the six months ended June 30, 2005 compared to the six months ended June 30, 2004. Approximately $68 million of the increase was the result of price increases and incremental video revenues from existing customers and approximately $8 million resulted from an increase in digital video customers. The increases were offset by decreases of approximately $21 million resulting from the System Sales and approximately an additional $47 million related to a decrease in analog video customers.

Revenues from high-speed Internet services provided to our non-commercial customers increased $92 million, or 26%, from $349 million for the six months ended June 30, 2004 to $441 million for the six months ended June 30, 2005. Approximately $68 million of the increase related to the increase in the average number of customers receiving high-speed Internet services, whereas approximately $27 million related to the increase in average price of the service. The increase in high-speed Internet revenues was reduced by approximately $3 million as a result of the System Sales.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales increased $8 million, or 6%, from $132 million for the six months ended June 30, 2004 to $140 million for the six months ended June 30, 2005, primarily as a result of an increase in new advertising sales customers and in advertising rates. The increase was offset by a decrease of $1 million as a result of the System Sales. For the six months ended June 30, 2005 and 2004, we received $7 million and $6 million in advertising sales revenues from vendors.

Commercial revenues consist primarily of revenues from cable video and high-speed Internet services to our commercial customers. Commercial revenues increased $20 million, or 18%, from $114 million for the six months ended June 30, 2004 to $134 million for the six months ended June 30, 2005, primarily as a result of an increase in commercial high-speed Internet revenues. The increase was reduced by approximately $2 million as a result of the System Sales.

Other revenues consist of revenues from franchise fees, telephone revenue, equipment rental, customer installations, home shopping, dial-up Internet service, late payment fees, wire maintenance fees and other miscellaneous revenues. Other revenues increased $13 million, or 8%, from $163 million for the six months ended June 30, 2004 to $176 million for the six months ended June 30, 2005. The increase was primarily the result of an increase in telephone revenue of $6 million, installation revenue of $5 million and franchise fees of $4 million and was partially offset by approximately $2 million as a result of the System Sales.

Operating Expenses. Operating expenses increased $101 million, or 10%, from $1.0 billion for the six months ended June 30, 2004 to $1.1 billion for the six months ended June 30, 2005. The increase in operating expenses was reduced by $12 million as a result of the System Sales. Programming costs included in the accompanying condensed consolidated statements of operations were $709 million and $663 million, representing 29% of total costs and expenses for each of the six months ended June 30, 2005 and 2004, respectively. Key expense components as a percentage of revenues were as follows (dollars in millions):

	Six Months Ended June 30,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 709	28%	$ 663	27%	$ 46	7%
Advertising sales	50	2%	48	2%	2	4%
Service	369	14%	316	13%	53	17%
	$ 1,128	44%	$ 1,027	42%	$ 101	10%

Programming costs consist primarily of costs paid to programmers for analog, premium, digital channels, VOD and pay-per-view programming. The increase in programming costs of $46 million, or 7%, for the six months ended June 30, 2005 over the six months ended June 30, 2004 was a result of price increases, particularly in sports programming, partially offset by decreases in analog video customers. Additionally, the increase in programming costs was reduced by $9 million as a result of the System Sales. Programming costs were offset by the amortization of payments received from programmers in support of launches of new channels of $18 million and $28 million for the six months ended June 30, 2005 and 2004, respectively. Programming costs for the six months ended June 30, 2004 also include a $4 million reduction related to the settlement of a dispute with TechTV, Inc. See Note 17 to the condensed consolidated financial statements.

Our cable programming costs have increased in every year we have operated in excess of U.S. inflation and cost-of-living increases, and we expect them to continue to increase because of a variety of factors, including inflationary or negotiated annual increases, additional programming being provided to customers and increased costs to purchase programming. In 2005, programming costs have and we expect they will continue to increase at a higher rate than in 2004. These costs will be determined in part on the outcome of programming negotiations in 2005 and will likely be subject to offsetting events or otherwise affected by factors similar to the ones mentioned in the preceding paragraph. Our increasing programming costs will result in declining operating margins for our video services to the extent we are unable to pass on cost increases to our customers. We expect to partially offset any resulting margin compression from our traditional video services with revenue from advanced video services, increased high-speed Internet revenues, advertising revenues and commercial service revenues.

Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses increased $2 million, or 4%, primarily as a result of increased salary, benefit and commission costs. Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, Internet service provider fees, maintenance and pole rent expense. The increase in service costs of $53 million, or 17%, resulted primarily from increased labor and maintenance costs to support our infrastructure, increased equipment maintenance, an increase in franchise fees as a result of increased revenues and higher fuel prices. The increase in service costs was reduced by $3 million as a result of the System Sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $10 million, or 2%, from $483 million for the six months ended June 30, 2004 to $493 million for the six months ended June 30, 2005. The increase in selling, general and administrative expenses was reduced by $4 million as a result of the System Sales. Key components of expense as a percentage of revenues were as follows (dollars in millions):

	Six Months Ended June 30,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	$ 427	16%	$ 416	17%	$ 11	3%
Marketing	66	3%	67	2%	(1)	(1)%
	$ 493	19%	$ 483	19%	$ 10	2%

General and administrative expenses consist primarily of salaries and benefits, rent expense, billing costs, call center costs, internal network costs, bad debt expense and property taxes. The increase in general and administrative expenses of $11 million, or 3%, resulted primarily from increases in professional fees of $15 million and salaries and benefits of $13 million, offset by the System Sales of $4 million and decreases in bad debt expense of $10 million .

Marketing expenses decreased $1 million, or 1%, as a result of a decrease in expenditures as a result of disciplined spending and more targeted marketing tactics. We expect marketing expenditures to increase for the remainder of 2005.

Depreciation and Amortization. Depreciation and amortization expense increased by $25 million, or 3%, from $734 million for the six months ended June 30, 2004 to $759 million for the six months ended June 30, 2005. The increase in depreciation was related to an increase in capital expenditures.

Asset Impairment Charges. Asset impairment charges for the six months ended June 30, 2005 represent the write-down of assets related to three pending cable asset sales to fair value less costs to sell. See Note 3 to the condensed consolidated financial statements.

(Gain) Loss on Sale of Assets, Net. Loss on sale of assets of $4 million for the six months ended June 30, 2005 primarily represents the loss recognized on the disposition of plant and equipment. Gain on sale of assets of $104 million for the six months ended June 30, 2004 primarily represents the pretax gain realized on the sale of systems to Atlantic Broadband Finance, LLC which closed on March 1 and April 30, 2004.

Option Compensation Expense, Net. Option compensation expense of $8 million for the six months ended June 30, 2005 primarily represents options expensed in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation.* Option compensation expense of $26 million for the six months ended June 30, 2004 primarily represents the expense of approximately $8 million related to a stock option exchange program, under which our employees were offered the right to exchange all stock options (vested and unvested) issued under the 1999 Charter Communications Option Plan and 2001 Stock Incentive Plan that had an exercise price over $10 per share for shares of restricted Charter Class A common stock or, in some instances, cash. The exchange offer closed in February 2004. Additionally, during the six months ended June 30, 2004, we recognized approximately $6 million related to the performance shares granted under the Charter Long-Term Incentive Program and approximately $12 million related to options granted following the adoption of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation.*

Special Charges, Net. Special charges of $2 million for the six months ended June 30, 2005 represents $4 million of severance and related costs of our management realignment offset by approximately $2 million related to an agreed upon cash discount on settlement of the consolidated Federal Class Action and Federal Derivative Action. See "— Legal Proceedings." Special charges of $97 million for the six months ended June 30, 2004 represents approximately $85 million as part of the terms set forth in memoranda of understanding regarding settlement of the consolidated Federal Class Action and Federal Derivative Action and approximately $9 million of litigation costs related to the tentative settlement of the South Carolina national class action suit, which settlements are subject to final documentation and court approval and approximately $3 million of severance and related costs of our workforce reduction.

Interest Expense, Net. Net interest expense increased by $68 million, or 8%, from $803 million for the six months ended June 30, 2004 to $871 million for the six months ended June 30, 2005. The increase in net interest expense was a result of approximately $9 million of liquidated damages on our 5.875% convertible senior notes combined with an increase in our average borrowing rate from 8.50% in the six months ended June 30, 2004 to 8.89% in the six months ended June 30, 2005 and an increase of $997 million in average debt outstanding from $18.4 billion for the six months ended June 30, 2004 compared to $19.4 billion for the six months ended June 30, 2005. This was offset partially by $27 million in gains related to embedded derivatives in Charter's 5.875% convertible senior notes issued in November 2004. See Note 9 to the condensed consolidated financial statements.

Gain on Derivative Instruments and Hedging Activities, Net. Net gain on derivative instruments and hedging activities decreased $30 million from $56 million for the six months ended June 30, 2004 to $26 million for the six months ended June 30, 2005. The decrease is primarily a result of a decrease in gains on interest rate agreements, which do not qualify for hedge accounting under SFAS No. 133, which decreased from $54 million for the six months ended June 30, 2004 to $25 million for the six months ended June 30, 2005.

Loss on debt to equity conversions. Loss on debt to equity conversions of $23 million for the six months ended June 30, 2004 represents the loss recognized from privately negotiated exchanges in the aggregate of $30 million principal amount of Charter's 5.75% convertible senior notes held by two unrelated parties for shares of Charter Class A common stock, which resulted in the issuance of more shares in the exchange transaction than would have been issued under the original terms of the convertible senior notes.

Gain (loss) on extinguishment of debt. Gain on extinguishment of debt of $8 million for the six months ended June 30, 2005 primarily represents approximately $10 million related to the issuance of Charter Operating notes in exchange for Charter Holdings notes and approximately $4 million related to the repurchase of $131 million principal amount of our 4.75% convertible senior notes due 2006. These gains were offset by approximately $5 million of losses related to the redemption of our subsidiary's, CC V Holdings, LLC, 11.875% notes due 2008. See Note 6 to the condensed consolidated financial statements. Loss on extinguishment of debt of $21 million for the six months ended June 30, 2004 represents the write-off of deferred financing fees and third party costs related to the Charter Operating refinancing in April 2004.

Gain on investments. Gain on investments of $21 million for the six months ended June 30, 2005 primarily represents a gain realized on an exchange of our interest in an equity investee for an investment in a larger enterprise.

Minority Interest. Minority interest represents the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, LLC, and in 2004, the pro rata share of the profits and losses of CC VIII, LLC. Effective January 1, 2005, we ceased recognizing minority interest in earnings or losses of CC VIII for financial reporting purposes until the dispute between Charter and Mr. Allen regarding the preferred membership interests in CC VIII is resolved. See Note 7 to the condensed consolidated financial statements. Additionally, reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Holdco. Because minority interest in Charter Holdco is substantially eliminated, Charter absorbs substantially all losses before income taxes that otherwise would be allocated to minority interest. Subject to any changes in Charter Holdco's capital structure, future losses will continue to be substantially absorbed by Charter.

Income Tax Expense. Income tax expense of $46 million and $97 million was recognized for the six months ended June 30, 2005 and 2004, respectively. The income tax expense is recognized through increases in deferred tax liabilities related to our investment in Charter Holdco, as well as through current federal and state income tax expense and increases in the deferred tax liabilities of certain of our indirect corporate subsidiaries. Additionally, the sale of certain systems to Atlantic Broadband Finance, LLC on March 1, 2004 resulted in income tax expense of $15 million for the six months ended June 30, 2004.

Net Loss. Net loss decreased by $1 million, from $708 million for the six months ended June 30, 2004 to $707 million for the six months ended June 30, 2005 as a result of the factors described above.

Preferred stock dividends. On August 31, 2001, Charter issued 505,664 shares (and on February 28, 2003 issued an additional 39,595 shares) of Series A Convertible Redeemable Preferred Stock in connection with the Cable USA acquisition, on which Charter pays a quarterly cumulative cash dividends at an annual rate of 5.75% if paid or 7.75% if accrued on a liquidation preference of $100 per share. Beginning January 1, 2005, Charter is accruing the dividend on its Series A Convertible Redeemable Preferred Stock.

Loss Per Common Share. The loss per common share decreased by $0.05, from $2.39 per common share for the six months ended June 30, 2004 to $2.34 per common share for the six months ended June 30, 2005 as a result of the factors described above.

Liquidity and Capital Resources

Introduction

This section contains a discussion of our liquidity and capital resources, including a discussion of our cash position, sources and uses of cash, access to credit facilities and other financing sources, historical financing activities, cash needs, capital expenditures and outstanding debt.

Overview

We have a significant level of debt. For the remainder of 2005, $15 million of our debt matures, and in 2006, an additional $55 million matures. In 2007 and beyond, significant additional amounts will become due under our remaining long-term debt obligations.

Our business requires significant cash to fund debt service costs, capital expenditures and ongoing operations. We have historically funded our debt service costs, operating activities and capital requirements through cash flows from operating activities, borrowings under our credit facilities, sales of assets, issuances of debt and equity securities and cash on hand. However, the mix of funding sources changes from period to period. For the six months ended June 30, 2005, we generated $181 million of net cash flows from operating activities after paying cash interest of $744 million. In addition, we used approximately $542 million for purchases of property, plant and equipment. Finally, we had net cash flows used in financing activities of $314 million, which included, among other things, approximately $705 million in repayment of borrowings under the Charter Operating revolving credit facility. This repayment was the primary reason cash on hand decreased by $610 million to $40 million at June 30, 2005. We expect that our mix of sources of funds will continue to change in the future based on overall needs relative to our cash flow and on the availability of funds under our credit facilities, our access to the debt and equity markets, the timing of possible asset sales and our ability to generate cash flows from operating activities. We continue to explore asset dispositions as one of several possible actions that we could take in the future to improve our liquidity, but we do not presently consider future asset sales as a significant source of liquidity.

We expect that cash on hand, cash flows from operating activities and the amounts available under our credit facilities will be adequate to meet our cash needs for the remainder of 2005. Cash flows from operating activities and amounts available under our credit facilities may not be sufficient to fund our operations and satisfy our principal repayment obligations that come due in 2006 and, we believe, such amounts will not be sufficient to fund our operations and satisfy such repayment obligations thereafter.

It is likely that we will require additional funding to repay debt maturing after 2006. We are working with our financial advisors to address such funding requirements. However, there can be no assurance that such funding will be available to us. Although Mr. Allen and his affiliates have purchased equity from us in the past, Mr. Allen and his affiliates are not obligated to purchase equity from, contribute to or loan funds to us in the future.

Credit Facilities and Covenants

Our ability to operate depends upon, among other things, our continued access to capital, including credit under the Charter Operating credit facilities. These credit facilities, along with our indentures, contain certain restrictive covenants, some of which require us to maintain specified financial ratios and meet financial tests and to provide audited financial statements with an unqualified opinion from our independent auditors. As of June 30, 2005, we were in compliance with the covenants under our indentures and credit facilities and we expect to remain in compliance with those covenants for the next twelve months. As of June 30, 2005, we had borrowing availability under our credit facilities of $870 million, none of which was restricted due to covenants. Continued access to our credit facilities is subject to our remaining in compliance with the covenants of these credit facilities, including covenants tied to our operating performance. If our operating performance results in non-compliance with these covenants, or if any of certain other events of non-compliance under these credit facilities or indentures governing our debt occurs, funding under the credit facilities may not be available and defaults on some or potentially all of our debt obligations could occur. An event of default under the covenants governing any of our debt instruments could result in the acceleration of our payment obligations under that debt and, under certain circumstances, in cross-defaults under our other debt obligations, which could have a material adverse effect on our consolidated financial condition and results of operations.

The Charter Operating credit facilities required us to redeem the CC V Holdings, LLC notes as a result of the Charter Holdings leverage ratio becoming less than 8.75 to 1.0. In satisfaction of this requirement, in March 2005, CC V Holdings, LLC redeemed all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption. The total cost of the redemption including accrued and unpaid interest was approximately $122 million. We funded the redemption with borrowings under the Charter Operating credit facilities.

Specific Limitations

Our ability to make interest payments on our convertible senior notes, and, in 2006 and 2009, to repay the outstanding principal of our convertible senior notes of $25 million and $863 million, respectively, will depend on our ability to raise additional capital and/or on receipt of payments or distributions from Charter Holdco or its subsidiaries, including CCH II, CCO Holdings and Charter Operating. Distributions by Charter's subsidiaries to a parent company (including Charter and Charter Holdco) for payment of principal on Charter's convertible senior notes, however, are restricted by the indentures governing the CCH II notes, CCO Holdings notes, and Charter Operating notes, unless under their respective indentures there is no default and a specified leverage ratio test is met at the time of such event. During the six months ended June 30, 2005, Charter Holdings distributed $60 million to Charter Holdco. As of June 30, 2005, Charter Holdco was owed $62 million in intercompany loans from its subsidiaries, which were available to pay interest and principal on Charter's convertible senior notes. In addition, Charter has $122 million of governmental securities pledged as security for the next five semi-annual interest payments on Charter's 5.875% convertible senior notes.

The indentures governing the Charter Holdings notes permit Charter Holdings to make distributions to Charter Holdco for payment of interest or principal on the convertible senior notes, only if, after giving effect to the distribution, Charter Holdings can incur additional debt under the leverage ratio of 8.75 to 1.0, there is no default under Charter Holdings' indentures and other specified tests are met. For the quarter ended June 30, 2005, there was no default under Charter Holdings' indentures and other specified tests were met. However, Charter Holdings did not meet the leverage ratio of 8.75 to 1.0 based on June 30, 2005 financial results. As a result, distributions from Charter Holdings to Charter or Charter Holdco are currently restricted and will continue to be restricted until that test is met. During this restriction period, the indentures governing the Charter Holdings notes permit Charter Holdings and its subsidiaries to make specified investments in Charter Holdco or Charter, up to an amount determined by a formula, as long as there is no default under the indentures.

In accordance with the registration rights agreement entered into with our initial sale, we were required to register for resale by April 21, 2005 our 5.875% convertible senior notes due 2009, issued in November 2004. Since these convertible notes were not registered by that date, we paid or will pay liquidated damages totaling $0.5 million through July 14, 2005, the day prior to the effective date of the registration statement. In addition, in accordance with the share lending agreement entered into in connection with the initial sale of our 5.875% convertible senior notes due 2009, we were required to register by April 1, 2005 150 million shares of our Class A common stock that Charter was obligated to lend to Citigroup Global Markets Limited ("CGML") at CGML's request. Because this registration statement was not declared effective by such date, we paid or will pay liquidated damages totaling $11 million from April 2, 2005 through July 17, 2005, the day before the effective date of the registration statement. The liquidated damages were recorded as interest expense in the accompanying condensed consolidated statements of operations.

Our significant amount of debt could negatively affect our ability to access additional capital in the future. No assurances can be given that we will not experience liquidity problems if we do not obtain sufficient additional financing on a timely basis as our debt becomes due or because of adverse market conditions, increased competition or other unfavorable events. If, at any time, additional capital or borrowing capacity is required beyond amounts internally generated or available under our credit facilities or through additional debt or equity financings, we would consider:

- issuing equity that would significantly dilute existing shareholders;
- issuing convertible debt or some other securities that may have structural or other priority over our existing notes and may also significantly dilute Charter's existing shareholders;
- further reducing our expenses and capital expenditures, which may impair our ability to increase revenue;
- selling assets; or
- requesting waivers or amendments with respect to our credit facilities, the availability and terms of which would be subject to market conditions.

If the above strategies are not successful, we could be forced to restructure our obligations or seek protection under the bankruptcy laws. In addition, if we need to raise additional capital through the issuance of equity or find it necessary to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution and our noteholders might not receive principal and interest payments to which they are contractually entitled.

Sale of Assets

In March 2004, we closed the sale of certain cable systems in Florida, Pennsylvania, Maryland, Delaware and West Virginia to Atlantic Broadband Finance, LLC. We closed the sale of an additional cable system in New York to Atlantic Broadband Finance, LLC in April 2004. The total net proceeds from the sale of all of these systems were approximately $735 million. The proceeds were used to repay a portion of amounts outstanding under our revolving credit facility.

Long-Term Debt

As of June 30, 2005 and December 31, 2004, long-term debt totaled approximately $19.2 billion and $19.5 billion, respectively. This debt was comprised of approximately $5.4 billion and $5.5 billion of credit facility debt, $12.9 billion and $13.0 billion accreted value of high-yield notes and $863 million and $990 million accreted value of convertible senior notes, respectively. As of June 30, 2005 and December 31, 2004, the weighted average interest rate on the credit facility debt was approximately 7.2% and 6.8%, respectively, the weighted average interest rate on the high-yield notes was approximately 9.9% and 9.9%, respectively, and the weighted average interest rate on the convertible notes was approximately 5.8% and 5.7%, respectively, resulting in a blended weighted average interest rate of 9.0% and 8.8%, respectively. The interest rate on approximately 81% and 83% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate hedge agreements as of June 30, 2005 and December 31, 2004, respectively.

4.75% Convertible Senior Notes due 2006. The 4.75% convertible senior notes are convertible at the option of the holders into shares of Class A common stock at a conversion rate, subject to certain adjustments, of 38.0952 shares per $1,000 principal amount of notes, which is equivalent to a price of $26.25 per share. Certain anti-dilutive provisions cause adjustments to occur automatically upon the occurrence of specified events. Additionally, the conversion ratio may be adjusted by us when deemed appropriate. During the six months ended June 30, 2005, we repurchased, in private transactions, from a small number of institutional holders, a total of $131 million principal amount of our 4.75% convertible senior notes due 2006. Approximately $25 million principal amount of these notes remain outstanding.

Issuance of Charter Operating Notes in Exchange for Charter Holdings Notes. In March and June 2005, our subsidiary, Charter Operating, consummated exchange transactions with a small number of institutional holders of Charter Holdings 8.25% Senior Notes due 2007 pursuant to which Charter Operating issued, in private placement, approximately $333 million principal amount of its 8.375% senior second lien Notes due 2014 in exchange for approximately $346 million of the Charter Holdings 8.25% senior notes due 2007. The Charter Holdings notes received in the exchange were thereafter distributed to Charter Holdings and cancelled.

CC V Holdings, LLC Notes. The Charter Operating credit facilities required us to redeem the CC V Holdings, LLC notes as a result of the Charter Holdings leverage ratio becoming less than 8.75 to 1.0. In satisfaction of this requirement, in March 2005, CC V Holdings, LLC redeemed all of its 11.875% notes due 2008, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption. The total cost of redemption was approximately $122 million and was funded through borrowings under our credit facilities. Following such redemption, CC V Holdings, LLC and its subsidiaries (other than non-guarantor subsidiaries) guaranteed the Charter Operating credit facilities and granted a lien on all of their assets as to which a lien can be perfected under the Uniform Commercial Code by the filing of a financing statement.

Historical Operating, Financing and Investing Activities

We held $40 million in cash and cash equivalents as of June 30, 2005 compared to $650 million as of December 31, 2004. The decrease in cash and cash equivalents reflects the repayment of approximately $705 million of borrowings under our revolving credit facilities.

Operating Activities. Net cash provided by operating activities increased $13 million, or 8%, from $168 million for the six months ended June 30, 2004 to $181 million for the six months ended June 30, 2005. For the six months ended June 30, 2005, net cash provided by operating activities increased primarily as a result of changes in operating assets and liabilities that used $92 million less cash during the six months ended June 30, 2005 than the corresponding period in 2004 combined with an increase in revenue over cash costs year over year partially offset by an increase in cash interest expense of $117 million over the corresponding prior period.

Investing Activities. Net cash used by investing activities for the six months ended June 30, 2005 was $477 million and net cash provided by investing activities for the six months ended June 30, 2004 was $273 million. Investing activities used $750 million more cash during the six months ended June 30, 2005 than the corresponding period in 2004 primarily as a result of proceeds from the sale of certain cable systems to Atlantic Broadband Finance, LLC in 2004 offset by increased cash used for capital expenditures in 2005.

Financing Activities. Net cash used in financing activities decreased $130 million from $444 million for the six months ended June 30, 2004 to $314 million for the six months ended June 30, 2005. The decrease in cash used during the six months ended June 30, 2005 as compared to the corresponding period in 2004, was primarily the result of a decrease in payments for debt issuance costs and in net repayments of long-term debt.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were $542 million and $390 million for the six months ended June 30, 2005 and 2004, respectively. Capital expenditures increased as a result of increased spending on support capital related to our investment in service improvements; scalable infrastructure related to telephone services, VOD and digital simulcast; and customer premise equipment primarily related to the continued demand for advanced digital set-tops. See the table below for more details.

Upgrading our cable systems has enabled us to offer digital television, high-speed Internet services, VOD, interactive services, additional channels and tiers, and expanded pay-per-view options to a larger customer base. Our capital expenditures are funded primarily from cash flows from operating activities, the issuance of debt and borrowings under credit facilities. In addition, during the six months ended June 30, 2005 and 2004, our liabilities related to capital expenditures increased $45 million and decreased $52 million, respectively.

During 2005, we expect capital expenditures to be approximately $1 billion. The increase in capital expenditures for 2005 compared to 2004 is the result of expected increases in telephone services and deployment of advanced digital boxes. We expect that the nature of these expenditures will continue to be composed primarily of purchases of customer premise equipment, support capital and for scalable infrastructure costs. We expect to fund capital expenditures for 2005 primarily from cash flows from operating activities and borrowings under our credit facilities.

We have adopted capital expenditure disclosure guidance, which was developed by eleven publicly traded cable system operators, including Charter, with the support of the National Cable & Telecommunications Association ("NCTA"). The disclosure is intended to provide more consistency in the reporting of operating statistics in capital expenditures and customers among peer companies in the cable industry. These disclosure guidelines are not required disclosure under GAAP, nor do they impact our accounting for capital expenditures under GAAP.

The following table presents our major capital expenditures categories in accordance with NCTA disclosure guidelines for the three and six months ended June 30, 2005 and 2004 (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Customer premise equipment (a)	$ 142	$ 112	$ 228	$ 226
Scalable infrastructure (b)	47	14	89	33
Line extensions (c)	48	30	77	53
Upgrade/Rebuild (d)	12	5	22	16
Support capital (e)	82	39	126	62
Total capital expenditures (f)	$ 331	$ 200	$ 542	$ 390

(a) Customer premise equipment includes costs incurred at the customer residence to secure new customers, revenue units and additional bandwidth revenues. It also includes customer installation costs in accordance with SFAS 51 and customer premise equipment (e.g., set-top terminals and cable modems, etc.).
(b) Scalable infrastructure includes costs, not related to customer premise equipment or our network, to secure growth of new customers, revenue units and additional bandwidth revenues or provide service enhancements (e.g., headend equipment).
(c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).
(d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.
(e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).
(f) Represents all capital expenditures made during the three and six months ended June 30, 2005 and 2004, respectively.

Certain Trends and Uncertainties

The following discussion highlights a number of trends and uncertainties, in addition to those discussed elsewhere in this quarterly report and in the "Critical Accounting Policies and Estimates" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2004 Annual Report on Form 10-K, that could materially impact our business, results of operations and financial condition.

Substantial Leverage. We have a significant amount of debt. As of June 30, 2005, our total debt was approximately $19.2 billion. For the remainder of 2005, $15 million of our debt matures and in 2006, an additional $55 million matures. In 2007 and beyond, significant additional amounts will become due under our remaining obligations. We believe that, as a result of our significant levels of debt and operating performance, our access to the debt markets could be limited when substantial amounts of our current indebtedness become due. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not available to us from borrowings under our credit facilities or from other sources, we may not be able to repay our debt, fund our other liquidity and capital needs, grow our business or respond to competitive challenges. Further, if we are unable to repay or refinance our debt, as it becomes due, we could be forced to restructure our obligations or seek protection under the bankruptcy laws. If we were to raise capital through the issuance of additional equity or if we were to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution and our noteholders might not receive all principal and interest payments to which they are contractually entitled on a timely basis or at all. For more information, see the section above entitled "— Liquidity and Capital Resources."

Restrictive Covenants. Our credit facilities and the indentures governing our and our subsidiaries' other debt contain a number of significant covenants that could adversely impact our ability to operate our business, and therefore could adversely affect our results of operations and the price of our Class A common stock. These covenants restrict our and our subsidiaries' ability to:

- incur additional debt;
- repurchase or redeem equity interests and debt;
- issue equity;
- make certain investments or acquisitions;
- pay dividends or make other distributions;
- dispose of assets or merge;
- enter into related party transactions;
- grant liens; and
- pledge assets.

Furthermore, our credit facilities require us to, among other things, maintain specified financial ratios, meet specified financial tests and provide audited financial statements with an unqualified opinion from our independent auditors. Our ability to comply with these provisions may be affected by events beyond our control.

The breach of any covenants or obligations in the foregoing indentures or credit facilities, not otherwise waived or amended, could result in a default under the applicable debt agreement or instrument and could trigger acceleration of the related debt, which in turn could trigger defaults under other agreements governing our long-term indebtedness. In addition, the secured lenders under the Charter Operating credit facilities and the Charter Operating senior second-lien notes could foreclose on their collateral, which includes equity interests in our subsidiaries, and exercise other rights of secured creditors. Any default under those credit facilities, the indentures governing our convertible notes or our subsidiaries' debt could adversely affect our growth, our financial condition and our results of operations and our ability to make payments on our notes and the credit facilities and other debt of our subsidiaries. For more information, see the section above entitled "— Liquidity and Capital Resources."

Liquidity. Our business requires significant cash to fund debt service costs, capital expenditures and ongoing operations. Our ongoing operations will depend on our ability to generate cash and to secure financing in the future. We have historically funded liquidity and capital requirements through cash flows from operating activities, borrowings under our credit facilities, issuances of debt and equity securities and cash on hand.

Our ability to operate depends upon, among other things, our continued access to capital, including credit under the Charter Operating credit facilities. These credit facilities are subject to certain restrictive covenants, some of which require us to maintain specified financial ratios and meet financial tests and to provide audited financial statements with an unqualified opinion from our independent auditors. As of June 30, 2005, we were in compliance with the covenants under our indentures and credit facilities, and we expect to remain in compliance with those covenants for the next twelve months. If our operating performance results in non-compliance with these covenants, or if any of certain other events of non-compliance under these credit facilities or indentures governing our debt occurs, funding under the credit facilities may not be available and defaults on some or potentially all of our debt obligations could occur. An event of default under the credit facilities or indentures, if not waived, could result in the acceleration of those debt obligations and, consequently, other debt obligations. Such acceleration could result in exercise of remedies by our creditors and could force us to seek the protection of the bankruptcy laws, which could materially adversely impact our ability to operate our business and to make payments under our debt instruments. As of June 30, 2005, we had borrowing availability under our credit facilities of $870 million, none of which was restricted due to covenants.

If, at any time, additional capital or capacity is required beyond amounts internally generated or available under our credit facilities or through additional debt or equity financings, we would consider:

- issuing equity that would significantly dilute existing shareholders;
- issuing convertible debt or some other securities that may have structural or other priority over our existing notes and may also significantly dilute Charter's existing shareholders;
- further reducing our expenses and capital expenditures, which may impair our ability to increase revenue;
- selling assets; or
- requesting waivers or amendments with respect to our credit facilities, the availability and terms of which would be subject to market conditions.

If the above strategies were not successful, we could be forced to restructure our obligations or seek protection under the bankruptcy laws. If we were to raise additional capital through the issuance of equity or find it necessary to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution and our noteholders might not receive all or any principal and interest payments to which they are contractually entitled. For more information, see the section above entitled "— Liquidity and Capital Resources."

Acceleration of Indebtedness of Charter's Subsidiaries. In the event of a default under our credit facilities or notes, our creditors could elect to declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be due and payable. In such event, our credit facilities and indentures would not permit Charter's subsidiaries to distribute funds to Charter Holdco or Charter to pay interest or principal on their notes. If the amounts outstanding under such credit facilities or notes are accelerated, all of the debt and liabilities of Charter's subsidiaries would be payable from the subsidiaries' assets, prior to any distribution of the subsidiaries' assets to pay the interest and principal amounts on Charter's notes. In addition, the lenders under our credit facilities could foreclose on their collateral, which includes equity interests in Charter's subsidiaries, and they could exercise other rights of secured creditors. In any such case, we might not be able to repay or make any payments on our notes. Additionally, an acceleration or payment default under our credit facilities would cause a cross-default in the indentures governing the Charter Holdings notes, CCH II notes, CCO Holdings notes, Charter Operating notes and Charter's convertible senior notes and would trigger the cross-default provision of the Charter Operating credit agreement. Any default under any of our credit facilities or notes might adversely affect the holders of our notes and our growth, financial condition and results of operations and could force us to examine all options, including seeking the protection of the bankruptcy laws.

Charter Communications, Inc. Relies on its Subsidiaries to Meet its Liquidity Needs, and Charter's Convertible Senior Notes are Structurally Subordinated to all Liabilities of its Subsidiaries. We rely on our subsidiaries to make distributions or other payments to Charter Holdco and Charter to enable Charter to make payments on its convertible senior notes. The borrowers and guarantors under the Charter Operating credit facilities are Charter's indirect subsidiaries. A number of Charter's subsidiaries are also obligors under other debt instruments, including Charter Holdings, CCH II, CCO Holdings and Charter Operating, which are each a co-issuer of senior notes, senior-second lien notes and/or senior discount notes. As of June 30, 2005, our total debt was approximately $19.2 billion, of which $18.4 billion was structurally senior to the Charter convertible senior notes. The Charter Operating credit facilities and the indentures governing the senior notes, senior discount notes and senior second-lien notes issued by subsidiaries of Charter contain restrictive covenants that limit the ability of such subsidiaries to make distributions or other payments to Charter Holdco or Charter.

In the event of a default under our credit facilities or notes, our lenders or noteholders could elect to declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be due and payable. An acceleration or certain payment events of default under our credit facilities would cause a cross-default in the indentures governing the Charter Holdings notes, CCH II notes, CCO Holdings notes, Charter Operating notes and Charter's convertible senior notes. Similarly, such a default or acceleration under any of these notes would cause a cross-default under the notes of the parent entities of the relevant entity. If the amounts outstanding under the credit facilities or notes are accelerated, all of the debt and liabilities of Charter's subsidiaries would be payable from the subsidiaries' assets, prior to any distribution of the subsidiaries' assets to pay the interest and principal amounts on Charter's notes. In addition, the lenders under our credit facilities and noteholders under our Charter Operating notes could foreclose on their collateral, which includes equity interests in Charter's subsidiaries, and they could exercise other rights of secured creditors. Any default under any of our credit facilities or notes could force us to examine all options, including seeking the protection of the bankruptcy laws. In the event of the bankruptcy, liquidation or dissolution of a subsidiary, following payment by such subsidiary of its liabilities, the lenders under our credit facilities and the holders of the other debt instruments and all other creditors of Charter's subsidiaries would have the right to be paid before holders of Charter's convertible senior notes from any of Charter's subsidiaries' assets. Such subsidiaries may not have sufficient assets remaining to make any payments to Charter as an equity holder or otherwise and may be restricted by bankruptcy and insolvency laws from making any such payments.

The foregoing contractual and legal restrictions could limit Charter's ability to make payments of principal and/or interest to the holders of its convertible senior notes. Further, if Charter made such payments by causing a subsidiary to make a distribution to it, and such transfer were deemed a fraudulent transfer or an unlawful distribution, the holders of

Charter's convertible senior notes could be required to return the payment to (or for the benefit of) the creditors of its subsidiaries.

Securities Litigation. A number of putative federal class action lawsuits were filed against Charter and certain of its former and present officers and directors alleging violations of securities laws, which have been consolidated for pretrial purposes. In addition, a number of shareholder derivative lawsuits were filed against Charter in the same and other jurisdictions. A shareholders derivative suit was filed in the U.S. District Court for the Eastern District of Missouri against Charter and its then current directors. Also, three shareholders derivative suits were filed in Missouri state court against Charter, its then current directors and its former independent auditor. These state court actions have been consolidated. The federal shareholders derivative suit and the consolidated derivative suit each alleged that the defendants breached their fiduciary duties.

Charter entered into Stipulations of Settlement setting forth proposed terms of settlement for the above-described class actions and derivative suits. On May 23, 2005 the United States District Court for the Eastern District of Missouri conducted the final fairness hearing for the Actions, and on June 30, 2005, the Court issued its final approval of the settlements. Members of the class had 30 days from the issuance of the June 30 order approving the settlement to file an appeal challenging the approval. Two notices of appeal were filed relating to the settlement, but Charter does not yet know the specific issues presented by such appeals, nor have briefing schedules been set. See "Part II, Item 1. Legal Proceedings."

Moreover, due to (i) the inherent uncertainties of litigation and investigations, (ii) the remaining conditions to the finalization of our anticipated settlements, (iii) the possibility of appeals and objections to the settlements and (iv) the need for us to comply with, and/or otherwise implement certain covenants, conditions, undertakings, procedures and other obligations that would be or have been imposed under the terms of the settlements, Charter cannot predict with certainty the ultimate outcome of these proceedings. An unfavorable outcome in the lawsuits described above could result in substantial potential liabilities and have a material adverse effect on our consolidated financial condition and results of operations or our liquidity. Further, these proceedings, and our actions in response to these proceedings, could result in substantial additional defense costs and the diversion of management's attention, and could adversely affect our ability to execute our business and financial strategies.

Competition. The industry in which we operate is highly competitive, and has become more so in recent years. In some instances, we compete against companies with fewer regulatory burdens, easier access to financing, greater personnel resources, greater brand name recognition and long-established relationships with regulatory authorities and customers. Increasing consolidation in the cable industry and the repeal of certain ownership rules may provide additional benefits to certain of our competitors, either through access to financing, resources or efficiencies of scale.

Our principal competitor for video services throughout our territory is direct broadcast satellite television services, also known as DBS. Competition from DBS, including intensive marketing efforts, aggressive pricing, and the ability of DBS to provide certain services that we are in the process of developing, has had an adverse impact on our ability to retain customers. DBS has grown rapidly over the last several years and continues to do so. The cable industry, including Charter, has lost a significant number of subscribers to DBS competition, and we face serious challenges in this area in the future. We believe that competition from DBS service providers may present greater challenges in areas of lower population density, and that our systems serve a higher concentration of such areas than those of other major cable service providers.

Local telephone companies and electric utilities can offer video and other services in competition with us, and they increasingly may do so in the future. Certain telephone companies have begun more extensive deployment of fiber in their networks that will enable them to begin providing video services, as well as telephone and high-bandwidth Internet access services, to residential and business customers. Some of these telephone companies have obtained, and are now seeking, franchises or alternative authorizations that are less burdensome than existing Charter franchises. The subscription television industry also faces competition from free broadcast television and from other communications and entertainment media. Further loss of customers to DBS or other alternative video and data services could have a material negative impact on the value of our business and its performance.

With respect to our Internet access services, we face competition, including intensive marketing efforts and aggressive pricing, from telephone companies and other providers of "dial-up" and digital subscriber line technology, also known as DSL. DSL service is competitive with high-speed Internet service over cable systems.

In addition, DBS providers have entered into joint marketing arrangements with Internet access providers to offer bundled video and Internet service, which competes with our ability to provide bundled services to our customers. In addition, as we expand our telephone offerings, we will face considerable competition from established telephone companies.

In order to attract new customers, from time to time we make promotional offers, including offers of temporarily reduced-price or free service. These promotional programs result in significant advertising, programming and operating expenses, and also require us to make capital expenditures to acquire additional digital set-top terminals. Customers who subscribe to our services as a result of these offerings may not remain customers for any significant period of time following the end of the promotional period. A failure to retain existing customers and customers added through promotional offerings or to collect the amounts they owe us could have an adverse effect on our business and financial results.

Mergers, joint ventures and alliances among franchised, wireless or private cable operators, satellite television providers, telephone companies and others, and the repeal of certain ownership rules may provide additional benefits to some of our competitors, either through access to financing, resources or efficiencies of scale, or the ability to provide multiple services in direct competition with us.

Long-Term Indebtedness — Change of Control Payments. We may not have the ability to raise the funds necessary to fulfill our obligations under Charter's convertible senior notes, our senior and senior discount notes and our credit facilities following a change of control. Under the indentures governing the Charter convertible senior notes, upon the occurrence of specified change of control events, Charter is required to offer to repurchase all of the outstanding Charter convertible senior notes. However, we may not have sufficient funds at the time of the change of control event to make the required repurchase of the Charter convertible senior notes and Charter's subsidiaries are limited in their ability to make distributions or other payments to Charter to fund any required repurchase. In addition, a change of control under our credit facilities and indentures governing our notes could require the repayment of borrowings under those credit facilities and indentures. Because such credit facilities and notes are obligations of Charter's subsidiaries, the credit facilities and the notes would have to be repaid by Charter's subsidiaries before their assets could be available to Charter to repurchase the Charter convertible senior notes. Charter's failure to make or complete a change of control offer would place it in default under the Charter convertible senior notes. The failure of Charter's subsidiaries to make a change of control offer or repay the amounts outstanding under their credit facilities would place them in default under these agreements and could result in a default under the indentures governing the Charter convertible senior notes. See "— Certain Trends and Uncertainties — Liquidity."

Variable Interest Rates. At June 30, 2005, excluding the effects of hedging, approximately 31% of our debt bears interest at variable rates that are linked to short-term interest rates. In addition, a significant portion of our existing debt, assumed debt or debt we might arrange in the future will bear interest at variable rates. If interest rates rise, our costs relative to those obligations will also rise. As of June 30, 2005 and December 31, 2004, the weighted average interest rate on the credit facility debt was approximately 7.2% and 6.8%, respectively, the weighted average interest rate on the high-yield notes was approximately 9.9% and 9.9%, respectively, and the weighted average interest rate on the convertible notes was approximately 5.8% and 5.7%, respectively, resulting in a blended weighted average interest rate of 9.0% and 8.8%, respectively. The interest rate on approximately 81% and 83% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate hedge agreements as of June 30, 2005 and December 31, 2004, respectively.

Services. We expect that a substantial portion of our near-term growth will be achieved through revenues from high-speed Internet services, digital video, bundled service packages, and to a lesser extent various commercial services that take advantage of cable's broadband capacity. We may not be able to offer these advanced services successfully to our customers or provide adequate customer service and these advanced services may not generate adequate revenues. Also, if the vendors we use for these services are not financially viable over time, we may experience disruption of service and incur costs to find alternative vendors. In addition, the technology involved in our product and service offerings generally requires that we have permission to use intellectual property and that such property not infringe on rights claimed by others. If it is determined that the product or service being utilized infringes on the rights of others, we may be sued or be precluded from using the technology.

Increasing Programming Costs. Programming has been, and is expected to continue to be, our largest operating expense item. In recent years, the cable industry has experienced a rapid escalation in the cost of programming, particularly sports programming. We expect programming costs to continue to increase because of a variety of factors, including inflationary or negotiated annual increases, additional programming being provided to customers and increased costs to purchase programming. The inability to fully pass these programming cost increases on to our customers would have an adverse impact on our cash flow and operating margins. As measured by programming costs, and excluding premium services (substantially all of which were renegotiated and renewed in 2003), as of July 7, 2005 approximately 9% of our current programming contracts were expired, and approximately another 21% are scheduled to expire at or before the end of 2005. There can be no assurance that these agreements will be renewed on favorable or comparable terms. To the extent that we are unable to reach agreement with certain programmers on terms that we believe are reasonable we may be forced to remove such programming channels from our line-up, which could result in a further loss of customers.

Share Lending Agreement. The issuance of up to a total of 150 million shares of common stock (of which 27.2 million were issued in July 2005) pursuant to a share lending agreement executed by Charter in connection with the issuance of the 5.875% convertible senior notes in November 2004, is essentially analogous to a sale of shares coupled with a forward contract for the reacquisition of the shares at a future date. An instrument that requires physical settlement by repurchase of a fixed number of shares in exchange for cash is considered a forward purchase instrument. While the share lending agreement does not require a cash payment upon return of the shares, physical settlement is required (i.e., the shares borrowed must be returned at the end of the arrangement.) The net effect on shareholders' deficit of the share lending agreement (exclusive of the adjustment for the fair value of the stock borrow facility discussed below) which includes our requirement to lend the shares and the counterparties' requirement to return the shares, is expected to be de minimis and will represent the cash received upon lending of the shares and will be equal to the par value of the common stock to be issued.

The shares to be issued are required to be returned, in accordance with the contractual arrangement, and will be treated in basic and diluted earnings per share as if they were already returned and retired. Consequently, there will be no impact of the shares of common stock lent under the share lending agreement in the earnings per share calculation.

The share lending agreement was entered into to facilitate the ability of the purchasers of the 5.875% convertible senior notes to improve or enhance their yield on the notes and as such was a cost of the 5.875% notes issuance transaction. We determined that the fair value of the stock borrow facility was approximately $13 million on the date of issuance of these notes. Therefore, we recorded such value at issuance as an increase to deferred financing fees and additional paid in capital in our consolidated financial statements. We are amortizing the value of the stock borrow facility to interest expense over the 5-year term of these notes.

Utilization of Net Operating Loss Carryforwards. As of June 30, 2005, we had approximately $5.9 billion of tax net operating losses (resulting in a gross deferred tax asset of approximately $2.3 billion), expiring in the years 2005 through 2025. Due to uncertainties in projected future taxable income, valuation allowances have been established against the gross deferred tax assets for book accounting purposes except for deferred benefits available to offset certain deferred tax liabilities. Currently, such tax net operating losses can accumulate and be used to offset any of our future taxable income. An "ownership change" as defined in the applicable federal income tax rules, would place significant limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income we may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could effectively eliminate our ability to use a substantial portion of our net operating losses to offset future taxable income.

The issuance of up to a total of 150 million shares of common stock (of which 27.2 million were issued in July 2005) offered pursuant to a share lending agreement executed by Charter in connection with the issuance of the 5.875% convertible senior notes in November 2004, as well as possible future conversions of our convertible notes, significantly increases the risk that we will experience an ownership change in the future for tax purposes, resulting in a material limitation on the use of a substantial amount of our existing net operating loss carryforwards. We do not believe that the issuance of shares associated with the share lending agreement would result in our experiencing an ownership change. However, future transactions and the timing of such transactions could cause an ownership change. Such transactions include additional issuances of common stock by us (including but not limited to issuances upon future conversion of our 5.875% convertible senior notes or as issued in the proposed settlement of derivative class action litigation), reacquisitions of the borrowed shares by us, or acquisitions or sales of shares by certain holders of our shares, including persons who have held, currently hold, or accumulate in the future five percent or more of our outstanding stock (including upon an exchange by Paul Allen or his affiliates, directly or indirectly, of membership units of Charter Holdco into our Class A common stock). Many of the foregoing transactions are beyond our control.

Class A Common Stock and Notes Price Volatility. The market price of our Class A common stock and our publicly traded notes has been and is likely to continue to be highly volatile. We expect that the price of our securities may fluctuate in response to various factors, including the factors described in this section and various other factors, which may be beyond our control. These factors beyond our control could include: financial forecasts by securities analysts; new conditions or trends in the cable or telecommunications industry; general economic and market conditions and specifically, conditions related to the cable or telecommunications industry; any change in our debt ratings; the development of improved or competitive technologies; the use of new products or promotions by us or our competitors; changes in accounting rules or interpretations; new regulatory legislation adopted in the United States; and any action taken or requirements imposed by NASDAQ if our Class A common stock trades below $1.00 per share for over 30 consecutive trading days. On June 30, 2005, our Class A common stock closed on NASDAQ at $1.18 per share.

In addition, the securities market in general, and the Nasdaq National Market and the market for cable television securities in particular, have experienced significant price fluctuations. Volatility in the market price for companies may often be unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our Class A common stock and our notes, regardless of our operating performance. In the past, securities litigation has often commenced following periods of volatility in the market price of a company's securities, and several purported class action lawsuits were filed against us in 2001 and 2002, following a decline in our stock price.

Economic Slowdown; Global Conflict. It is difficult to assess the impact that the general economic slowdown and global conflict will have on future operations. However, the economic slowdown has resulted and could continue to result in reduced spending by customers and advertisers, which could reduce our revenues, and also could affect our ability to collect accounts receivable and maintain customers. Reductions in operating revenues would likely negatively affect our ability to make expected capital expenditures and could also result in our inability to meet our obligations under our financing agreements. These developments could also have a negative impact on our financing and variable interest rate agreements through disruptions in the market or negative market conditions.

Regulation and Legislation. Cable system operations are extensively regulated at the federal, state, and local level, including rate regulation of basic service and equipment and municipal approval of franchise agreements and their terms, such as franchise requirements to upgrade cable plant and meet specified customer service standards. Additional legislation and regulation is always possible.

Cable operators also face significant regulation of their channel carriage. They currently can be required to devote substantial capacity to the carriage of programming that they would not carry voluntarily, including certain local broadcast signals, local public, educational and government access programming, and unaffiliated commercial leased access programming. This carriage burden could increase in the future, particularly if cable systems were required to carry both the analog and digital versions of local broadcast signals (dual carriage) or to carry multiple program streams included with a single digital broadcast transmission (multicast carriage). Additional government mandated broadcast carriage obligations could disrupt existing programming commitments, interfere with our preferred use of limited channel capacity and limit our ability to offer services that would maximize customer appeal and revenue potential. Although the FCC issued a decision on February 10, 2005, confirming an earlier ruling against mandating either dual carriage or multicast carriage, that decision has been appealed. In addition, the FCC could modify its position or Congress could legislate additional carriage obligations.

Over the past several years, proposals have been advanced that would require cable operators offering Internet service to provide non-discriminatory access to its network to competing Internet service providers. In a June 2005 ruling, commonly referred to as *Brand X*, the Supreme Court upheld an FCC decision making it less likely that any non-discriminatory "open" access requirements (which are generally associated with common carrier regulation of "telecommunications services") will be imposed on the cable industry by local, state or federal authorities. The Supreme Court held that the FCC was correct in classifying cable-provided Internet service as an "information service," rather than a "telecommunications service." This favorable regulatory classification limits the ability of various governmental authorities to impose open access requirements on cable-provided Internet service. Given the recency of the *Brand X* decision, however, the nature of any legislative or regulatory response remains uncertain. The imposition of open access requirements could materially affect our business.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

No material changes in reported market risks have occurred since the filing of our December 31, 2004 Form 10-K.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, management, including our Interim Chief Executive Officer and Interim Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures with respect to the information generated for use in this quarterly report. The evaluation was based in part upon reports and affidavits provided by a number of executives. Based upon, and as of the date of that evaluation, our Interim Chief Executive Officer and Interim Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurances that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

There was no change in our internal control over financial reporting during the quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon the above evaluation, Charter's management believes that its controls provide such reasonable assurances.

PART II. OTHER INFORMATION.

Item 1. Legal Proceedings.

Securities Class Actions and Derivative Suits

Fourteen putative federal class action lawsuits (the "Federal Class Actions") were filed against Charter and certain of its former and present officers and directors in various jurisdictions allegedly on behalf of all purchasers of Charter's securities during the period from either November 8 or November 9, 1999 through July 17 or July 18, 2002. Unspecified damages were sought by the plaintiffs. In general, the lawsuits alleged that Charter utilized misleading accounting practices and failed to disclose these accounting practices and/or issued false and misleading financial statements and press releases concerning Charter's operations and prospects. The Federal Class Actions were specifically and individually identified in public filings made by Charter prior to the date of this quarterly report. On March 12, 2003, the Panel transferred the six Federal Class Actions not filed in the Eastern District of Missouri to that district for coordinated or consolidated pretrial proceedings with the eight Federal Class Actions already pending there. The Court subsequently consolidated the Federal Class Actions into a single action (the "Consolidated Federal Class Action") for pretrial purposes. On August 5, 2004, the plaintiff's representatives, Charter and the individual defendants who were the subject of the suit entered into a Memorandum of Understanding setting forth agreements in principle to settle the Consolidated Federal Class Action. These parties subsequently entered into Stipulations of Settlement dated as of January 24, 2005 (described more fully below) which incorporate the terms of the August 5, 2004 Memorandum of Understanding.

The Consolidated Federal Class Action is entitled:

- In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (All Cases), StoneRidge Investments Partners, LLC, Individually and On Behalf of All Others Similarly Situated, v. Charter Communications, Inc., Paul Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith, III, Scientific-Atlanta, Inc., Motorola, Inc. and Arthur Andersen, LLP, Consolidated Case No. 4:02-CV-1186-CAS.

On September 12, 2002, a shareholders derivative suit (the "State Derivative Action") was filed in the Circuit Court of the City of St. Louis, State of Missouri (the "Missouri State Court"), against Charter and its then current directors, as well as its former auditors. The plaintiffs alleged that the individual defendants breached their fiduciary duties by failing to establish and maintain adequate internal controls and procedures.

The consolidated State Derivative Action is entitled:

- Kenneth Stacey, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg, and Charter Communications, Inc.

On March 12, 2004, an action substantively identical to the State Derivative Action was filed in Missouri State Court against Charter and certain of its current and former directors, as well as its former auditors. On July 14, 2004, the Court consolidated this case with the State Derivative Action.

This action is entitled:

- Thomas Schimmel, Derivatively on behalf on Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg, and Arthur Andersen, LLP, and Charter Communications, Inc.

Separately, on February 12, 2003, a shareholders derivative suit (the "Federal Derivative Action"), was filed against Charter and its then current directors in the United States District Court for the Eastern District of Missouri. The plaintiff in that suit alleged that the individual defendants breached their fiduciary duties and grossly mismanaged Charter by failing to establish and maintain adequate internal controls and procedures.

The Federal Derivative Action is entitled:

- Arthur Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg, and Charter Communications, Inc.

As noted above, Charter and the individual defendants entered into a Memorandum of Understanding on August 5, 2004 setting forth agreements in principle regarding settlement of the Consolidated Federal Class Action, the State Derivative Action(s) and the Federal Derivative Action (the "Actions"). Charter and various other defendants in those actions subsequently entered into Stipulations of Settlement dated as of January 24, 2005, setting forth a settlement of the Actions in a manner consistent with the terms of the Memorandum of Understanding. The Stipulations of Settlement, along with various supporting documentation, were filed with the Court on February 2, 2005. On May 23, 2005 the United States District Court for the Eastern District of Missouri conducted the final fairness hearing for the Actions, and on June 30, 2005, the Court issued its final approval of the settlements. Members of the class had 30 days from the issuance of the June 30 order approving the settlement to file an appeal challenging the approval. Two notices of appeal were filed relating to the settlement, but Charter does not yet know the specific issues presented by such appeals, nor have briefing schedules been set.

As amended, the Stipulations of Settlement provide that, in exchange for a release of all claims by plaintiffs against Charter and its former and present officers and directors named in the Actions, Charter would pay to the plaintiffs a combination of cash and equity collectively valued at $144 million, which will include the fees and expenses of plaintiffs' counsel. Of this amount, $64 million would be paid in cash (by Charter's insurance carriers) and the $80 million balance was to be paid (subject to Charter's right to substitute cash therefor described below) in shares of Charter Class A common stock having an aggregate value of $40 million and ten-year warrants to purchase shares of Charter Class A common stock having an aggregate warrant value of $40 million, with such values in each case being determined pursuant to formulas set forth in the Stipulations of Settlement. However, Charter had the right, in its sole discretion, to substitute cash for some or all of the aforementioned securities on a dollar for dollar basis. Pursuant to that right, Charter elected to fund the $80 million obligation with 13.4 million shares of Charter Class A common stock (having an aggregate value of approximately $15 million pursuant to the formula set forth in the Stipulations of Settlement) with the remaining balance (less an agreed upon $2 million discount in respect of that portion allocable to plaintiffs' attorneys' fees) to be paid in cash. In addition, Charter had agreed to issue additional shares of its Class A common stock to its insurance carrier having an aggregate value of $5 million; however, by agreement with its carrier Charter has paid $4.5 million in cash in lieu of issuing such shares. Charter delivered the settlement consideration to the claims administrator on July 8, 2005, and it will be held in escrow pending any appeals of the approval. On July 14, 2005, the Circuit Court for the City of St. Louis dismissed with prejudice the State Derivative Actions.

As part of the settlements, Charter has committed to a variety of corporate governance changes, internal practices and public disclosures, some of which have already been undertaken and none of which are inconsistent with measures Charter is taking in connection with the recent conclusion of the SEC investigation.

Government Investigations

In August 2002, Charter became aware of a grand jury investigation being conducted by the U.S. Attorney's Office for the Eastern District of Missouri into certain of its accounting and reporting practices, focusing on how Charter reported customer numbers, and its reporting of amounts received from digital set-top terminal suppliers for advertising. The U.S. Attorney's Office publicly stated that Charter was not a target of the investigation. Charter was also advised by the U.S. Attorney's Office that no current officer or member of its board of directors was a target of the investigation. On July 24, 2003, a federal grand jury charged four former officers of Charter with conspiracy and mail and wire fraud, alleging improper accounting and reporting practices focusing on revenue from digital set-top terminal suppliers and inflated customer account numbers. Each of the indicted former officers pled guilty to single conspiracy counts related to the original mail and wire fraud charges and were sentenced April 22, 2005. Charter fully cooperated with the investigation, and following the sentencings, the U.S. Attorney's Office for the Eastern District of Missouri announced that its investigation was concluded and that no further indictments would issue.

Indemnification

Charter was generally required to indemnify, under certain conditions, each of the named individual defendants in connection with the matters described above pursuant to the terms of its bylaws and (where applicable) such individual defendants' employment agreements. In accordance with these documents, in connection with the grand jury investigation, a now-settled SEC investigation and the above-described lawsuits, some of Charter's current and former directors and current and former officers have been advanced certain costs and expenses incurred in connection with their defense. On February 22, 2005, Charter filed suit against four of its former officers who were indicted in the course of the grand jury investigation. These suits seek to recover the legal fees and other related expenses advanced to these individuals. One of these former officers has counterclaimed against Charter alleging, among other things, that Charter owes him additional indemnification for legal fees that Charter did not pay and another of these former officers has counterclaimed against Charter for accrued sick leave.

Other Litigation

In addition to the matters set forth above, Charter is also party to other lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after taking into account recorded liabilities, the outcome of these other lawsuits and claims are not expected to have a material adverse effect on our consolidated financial condition, results of operations or our liquidity.

Item 3. Defaults Upon Senior Securities

We did not declare or pay the scheduled dividend payments on our Series A Convertible Redeemable Preferred Stock at March 31, 2005 or June 30, 2005. Accordingly, such amounts were accrued, and, since March 31, 2005, dividends have accrued at an increased rate of 7.75% of the redemption value of the shares (which totals approximately $55 million) and will continue to accrue at that rate until accrued dividends have been paid in full. At June 30, 2005, the total accrued dividends equaled $2 million.

Item 6. Exhibits.

The index to the exhibits begins on page 56 of this quarterly report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Charter Communications, Inc. has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHARTER COMMUNICATIONS, INC.,

Registrant

Dated: August 2, 2005

By: /s/ Paul E. Martin

Name: Paul E. Martin

Title: *Senior Vice President,*
Interim Chief Financial Officer,
Principal Accounting Officer and
Corporate Controller
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1(a)	Restated Certificate of Incorporation of Charter Communications, Inc. (Originally incorporated July 22, 1999) (Incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887)).
3.1(b)	Certificate of Amendment of Restated Certificate of Incorporation of Charter Communications, Inc. filed May 10, 2001 (Incorporated by reference to Exhibit 3.1(b) to the annual report on Form 10-K filed by Charter Communications, Inc. on March 29, 2002 (File No. 000-27927)).
3.2	Amended and Restated By-laws of Charter Communications, Inc. as of June 6, 2001 (Incorporated by reference to Exhibit 3.2 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 14, 2001 (File No. 000-27927)).
3.3	Fourth Amendment to Amended and Restated By-laws of Charter Communications, Inc. as of October 3, 2003 (Incorporated by reference to Exhibit 3.3 to Charter Communications, Inc.'s quarterly report on Form 10-Q filed on November 3, 2003 (File No. 000-27927)).
3.4	Fifth Amendment to Amended and Restated By-laws of Charter Communications, Inc. as of October 28, 2003 (Incorporated by reference to Exhibit 3.4 to Charter Communications, Inc.'s quarterly report on Form 10-Q filed on November 3, 2003 (File No. 000-27927)).
3.5	Sixth Amendment to Amended and Restated By-laws of Charter Communications, Inc. (Incorporated by reference to Charter Communications, Inc.'s current report on Form 8-K filed on September 30, 2004).
3.6	Seventh Amendment to Amended and Restated By-laws of Charter Communications, Inc. (Incorporated by reference to Charter Communications, Inc.'s current report on Form 8-K filed on October 22, 2004).
10.1 (a)	Stipulation of Settlement, dated as of January 24, 2005, regarding settlement of Consolidated Federal Class Action entitled In Re Charter Communications, Inc. Securities Litigation. (Incorporated by reference to Exhibit 10.48 to the annual report on Form 10-K filed by Charter Communications, Inc. on March 3, 2005 (File No. 000-27927)).
10.1 (b)	Amendment to Stipulation of Settlement, dated as of May 23, 2005, regarding settlement of Consolidated Federal Class Action entitled In Re Charter Communications, Inc. Securities Litigation. (incorporated by reference to Exhibit 10.35(b) to Amendment No. 3 to the registration statement on Form S-1 filed by Charter Communications, Inc. on June 8, 2005 (File No. 333-121186)).
10.2+	Employment Agreement dated as of April 1, 2005, by and between Michael J. Lovett and Charter Communications, Inc. (Incorporated by reference to Exhibit 10.11 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on May 3, 2005 (File No. 000-27927)).
10.3+	Letter Agreement, dated April 15, 2005, by and between Charter Communications, Inc. and Paul E. Martin (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K of Charter Communications, Inc. filed April 19, 2005 (File No. 0000-27927)).
10.4+	2005 Executive Cash Award Plan dated as of June 9, 2005 (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K of Charter Communications, Inc. filed June 15, 2005 (File No. 0000-27927)).
10.5+	Restricted Stock Agreement, dated as of July 13, 2005, by and between Robert P. May and Charter Communications, Inc. (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K of Charter Communications, Inc. filed July 13, 2005 (File No. 000-27927)).
10.6+	Restricted Stock Agreement, dated as of July 13, 2005, by and between Michael J. Lovett and Charter Communications, Inc. (incorporated by reference to Exhibit 99.2 to the current report on Form 8-K of Charter Communications, Inc. filed July 13, 2005 (File No. 000-27927)).
15.1*	Letter re Unaudited Interim Financial Statements.
31.1*	Certificate of Interim Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certificate of Interim Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Interim Chief Executive Officer).
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the

Sarbanes-Oxley Act of 2002 (Interim Chief Financial Officer).

* Document attached

+ Management compensatory plan or arrangement